the MANAGEMENT REVIEW

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APRIL, 1949

AMONG THE FEATURES

SPECIAL BOOK SURVEY ISSUE

◀ *20 Pages of Book Reviews* ▶

- PERSONNEL
- PRODUCTION
- OFFICE MANAGEMENT
- MARKETING
- FINANCE
- INSURANCE
- PACKAGING
- BOOKS OF THE MONTH

AMERICAN MANAGEMENT ASSOCIATION

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Volume XXXVIII No. 4

APRIL, 1949

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General Management

Socialism by Default

DURING recent weeks a number of Americans have had some misgivings regarding the present state of the American union. The malaise is born partly of the apprehension that the long period of super-prosperity occasioned by the war is drawing to a close, partly of the fear that the administration's Fair Deal is becoming more and more like an accelerated New Deal—which, whatever its virtues, was never able, until saved by the war, to create and maintain even a tolerable level of employment and prosperity in the United States—and partly of the feeling that, whether prosperity lasts another month, or a year, or five years, there is now at work in this country a series of forces and ideas that, without conscious choice by the people, are shoving us down the path of socialism.

Let us begin by considering the most obvious development that is causing such misgivings—the growth of big government. Now in one sense, big, and certainly strong, government is implicit in the whole conception that has made development of the United States possible. The idea that the free market could ever have existed without a government capable of providing for the national defense, regulating commerce, and above all providing the nation with a system of money is a great delusion.

Yet, granting this, it still remains true that both the growth of big government and the cynicism that pervades Washington respecting this growth are alarming phenomena. The Federal Government has always grown bigger, but until recently its peacetime growth has borne a reasonable relationship to the development of the country. This is no longer true. In 1928, to go no further back, federal expenditures of $3 billion represented about 4 per cent of the national income. By 1938, expenditures had climbed to $7 billion, or 10 per cent. In fiscal 1948, expenditures were $34 billion, or 16 per cent. And the burden by no means ended there. In 1948, while the Treasury was collecting $40 billion in taxes from the American people, state and local governments were taking in an additional $13 billion. Hence the total tax bill for government of all kinds was a colossal $53 billion, or 25 per cent of the whole national income. Taxation is no doubt preferable to more direct controls over the economy. But if the day came when the tax collector took 50 per cent of the national income instead of 25 per cent, as now, it would be clear as crystal that the United States was socialized in fact even though all the means of production remained in private hands.

Hence those who point with concern to the rise of big government cannot just be laughed off. Given the fact of big government, it follows inexorably that what it does about taxing and spending must have profound effects on the course of business. But it is difficult to tell in which direction the present administration is aiming. To the end of curbing high prices, the government is demanding a program of standby price controls. On the other hand, the President's demands for high-

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er and postponable government expenditures at this time is inflationary *per se*. Finally, his $4-billion tax program aimed at corporate profits is highly deflationary. Had the government been bent on holding its intervention in the business process to a minimum, a wholly different fiscal approach would have recommended itself. This would have been to declare a temporary moratorium on increased taxes in view of present business uncertainties. Such a measure would in no way have tied the government's hands in case inflation continues. But it would have greatly encouraged business—and thereby reduced the chance of recession. Above all, it would have given the country assurance that the administration was trying to keep its already vast activities as limited as possible by working not against the grain of the enterprise economy but with it.

To turn to industry's side of the picture, what are the facts about monopoly? The statistics present a rather different answer from that usually given by those who have written off the competitive system. It is true, certainly, that corporations have grown in size, and that in the early period of the nineteenth century, when U. S. Steel was being put together, there occurred a concentration of corporate power. In 1909, for instance, the 200 largest nonfinancial corporations in the United States controlled about 33 per cent of the country's corporate assets. In 1939, the same number of companies controlled 57 per cent. During the last decade, however, statistics for manufacturing companies have pointed in just the opposite direction, with the concentration of assets growing less, not greater. Moreover, the statistics themselves are open to a wide play of interpretation, for they do not refer to the same companies. They conceal a process wherein corporations are born, grow, and die. In the first six months of 1948, 187,000 new business concerns were launched on the United States scene, and some 132,000 passed out of existence. In 1948 it is also probable that the total number of business firms of all types reached an all-time record, nearly four million. This does not look like concentration. Moreover, an economic system must be judged not just on the basis of who owns its assets but also on how it works. Competition in ordinary parlance means not passive acceptance of a situation or of a market but active reaction to it. In business this means and has always meant, from the days of the earliest merchants when the conception of free trade was born, an attempt to *influence* price though not necessarily to dominate price. That is the prerogative of the true monopolist—the man who controls the total supply. Absolute monopolies there are in the United States, and the nation has found means of controlling them through regulation. But between absolute monopoly and imperfect competition there is the difference of night and day.

For, *mirabile dictu*, despite imperfect competition, prices in the United States do move. Otherwise it would be hard to understand what all the shouting about inflation and possible deflation is for. In the postwar years, freed of government controls, prices moved sharply upward under the pressure of tremendous pent-up demands. Today many prices are falling, to the grief of manufacturer and merchant. And efforts to resist the trend of prices, to buck the market, have not been notably successful.

Moreover, no industry can be looked at in isolation but must be viewed in terms of its own competitors. Interindustry competition is in fact intense. The price of coal goes up and oil takes

its place. Aluminum presses on steel and copper. Rayon competes with cotton, and nylon all but wrecks what was once the domain of silk. The railroad barons carved out their empires only to meet in the end the competition of the truck and the plane.

All this is not an argument that industry is perfect. It is an argument that its competitive character can be preserved if we want it preserved. It is also an argument that, far from having exhausted itself, United States capitalism faces an almost limitless horizon in terms of investment possibilities. The theory of "economic maturity," which played such a decisive part in the thinking of the thirties, is no longer very respectable. Its theoretic underpinnings have been torn apart by the work of such economists as George Terborgh (*The Bogey of Economic Maturity*), and its practical application has been made all but obsolete by the rush of world events. From the narrow isolationist viewpoint that dominated the thinking of some New Dealers, it was perhaps plausible to argue that the needs for capital expansion in this country were limited. Today, when the United States must support a military establishment costing some $15 billion and when all the world calls for our economic aid, the whole theory of oversaving and underinvestment falls to the ground. There never was a time when a high rate of private saving and capital formation were more needed.

If the American system is to flourish, it will call for a different orientation from that now found in Washington. A whole set of false assumptions, economic theories, and propagandist notions needs to be swept away, and in their place we must have a coherent policy, lighted by reason and inspired by faith.

At home such policy would begin with the reassertion of the need for strong government and would accept the inevitability, so long as the cold war with Russia rages, of big government. But it would aim to limit the growth of governmental prerogative and governmental interference in men's lives as much as possible. And it would do so precisely by affirming rather than denying the free-market ideal. This means insisting that the government use its vast powers over the budget and credit policies to counter the worst swings of inflation and deflation. It means a social security program designed to help the weak without, however, jamming the entire system. It means rigorous enforcement of the antitrust laws. But it also means trusting, within this framework, to the action of prices, wages, and profits to perform their indispensable work.

Collectivism under whatever guise—communism, socialism, or statist planning of production and distribution—means that the state, the creation of man, becomes his master; and once his master, blankets him with an infinity of paper directives that fall like a blizzard upon business man, farmer, and worker alike. Then at length there comes the "knock at the door"—the pistol-point order of obedience.

The American ideal starts from a different premise—from belief in the unique quality of man and in his right to liberty. On that premise our political institutions have been founded. What we are in the act of rediscovering is that political institutions are meaningless unless buttressed by economic institutions that also allow for freedom. With that rediscovery, faith, not in old-style capitalism, nor merely in "free enterprise," but faith in the basic market principle comes back into its own—not as an end in itself but as an essential and necessary means to higher

ends. A belief in this principle, and in the constant modification and perfecting of the institutions based upon it, opens a tremendous future. But if we cast it away, we too shall slide down the collectivist road, not by a process of conscious choice, but by moral and intellectual default.

BY JOHN DAVENPORT. *Fortune*, March, 1949, p. 69:13.

Industry and the Free Press

EVERY institution in America has a *raison d'etre*—a way of serving the nation and each individual in it. Thus, perhaps too simply stated, it might be said that while the free press informs the community, industry provides the community with economic sustenance. But these two institutions —industry and the press—are not isolated from one another. They are closely interrelated. In one respect, the press *is* industry. What hurts industry hurts the press. What hurts the press hurts industry. You can't dissect a man's brain or his heart and expect him to live; neither can you dissect the free press or free industry and continue to have a free nation. Our main world problem—and the very core of democracy's success—lies in the achievement of an understanding that will enable men to get along together. Understanding between industry and press is as vital on its level as is understanding between nations.

Industry's obligation to the press is to tell its story, to tell both the good and the bad about itself, to tell the why behind every action, so that employees and the public may understand the economics governing that action. Industry must: (1) respect the independence of the press from the business office or any other influence; (2) respect the press as the public's advocate.

True, industry has come a long way in just a few decades in understanding the public and in recognizing the public's right to know what goes on inside industry. But it hasn't progressed nearly enough.

Industrialists must remember that company activities have a direct impact on community welfare and thus are of prime importance to all citizens of the community. A company should tell why it is in business, what it does, where its products go, some of the problems of carrying on the business, the working conditions and benefits and services it offers its employees.

Too often industrialists regard as routine certain features of an organization which, if made known, would open the eyes of the citizens of the locality. For example, industry needs to lift the screen that blocks the research laboratories to public view so the community can know how important industrial research and development have been and will be to our nation's prosperity.

Had industry done the brilliant job in its relationships with its employees and public, and the press and radio, that it has done in licking the many engineering, marketing, and production problems thrown at it, the hot seat assigned to it for the past two decades and due to continue for some time in the future would never have existed. The war years witnessed an industry accomplishing an "impossible"

task of invention, production, and distribution. Yet, to this day, industry has not succeeded in winning public confidence to the extent that government bureaucrats and organized labor have. Labor has done a tremendous job of winning public support (as evidenced by the fact that union membership has grown from 2.5 to 15 million since 1935).

Mere press agents cannot cope with the competition of government and union publicists. Those industrialists who wholeheartedly embrace the philosophy of sound public and industrial relations, place it at the policy level and give it substance and not just lip service, are slowly winning understanding and loyalty.

James DeCamp Wise, president of Bigelow-Sanford Carpet Company, and one of today's farsighted leaders in the field of public and employee relations thinking, recently told the Princeton Industrial Relations School: "It is not putting it too strongly to say that good industrial and public relations are 'Democracy's Ticket to the Last Boat.' "

It is not too surprising that industrialists have been slow in solving their public relations problems. Management can analyze production problems, research problems, and marketing problems, toss them around its conference tables and its staff meetings, and arrive at a more or less leisurely decision tomorrow, or the next day, or six weeks from now. Those things are created and controlled. Public relations —the kind that corporations had in the depression—cannot always be controlled, however. And the part that industry can create and control can't wait on tomorrow's decision.

In public relations there must be prompt action. Otherwise, the problems are out of control and the organization involved is hard put to recover equilibrium. The reason a newspaper editor so frequently makes good in public relations is not that his cronies will give him a break in print; rather, it is the fact that an editor has been trained to gauge public opinion—and he knows today's news is not news tomorrow; he must act now—this minute—because neither events nor deadlines wait for him.

Industrialists must prepare for public relations before the fire breaks out. They must have established in the inner and topside circle of the organization someone whose responsibility it will be to plan public relations so far as program formulation is concerned and who will execute the public relations plan in the day-by-day and hour-by-hour activities—and execute it without delay, without time-consuming conferences, without a lot of hemming and hawing by operating executives. This sort of industrial setup makes for good press relations and, ultimately, for good relations with all publics.

Business executives must be available to the press, regardless of time of day or night, weekends or holidays. Accidents do not observe working hours; and labor leaders and justice department personnel have found that often as not if they crack down with a strike notice or an indictment at 5:00 p.m. Friday, industry will trail along with a legalistic answer sometime in the next week—long after the public's opinion has jelled.

Industrialists who say that the press is not fair, that it prints only one side of the story, should remember that the press is not their servant—that they must make themselves available to the press, not the press to them.

I am on industry's side in its struggle with its critics, because I believe industry has an honest and a great story of achievement and service to tell.

I merely underscore that industry's obligation is to tell it—frankly, completely, when it is news, and without distortion. The press has a right to expect that sort of treatment from industry.

The number of times industry has been smeared and has taken it lying down is tragic. And it is not the fault of the press—it is the fault of executives who thought the business week ended Friday at 5:00, or perhaps Friday at noon.

The newspapers of the nation strive hard for accuracy. Therefore it is bred into their staffs that they must obtain facts; that they must not allow someone to be attacked without giving him an opportunity to answer that attack; that they must not color news but must print the news as they have it.

Thus I believe industrialists have a deep responsibility in the maintenance of a free and honest press, to see that the press and radio are accorded cooperation, are permitted to obtain facts and thus to base their stories and editorial comments upon data that is true and not false or falsely inspired.

From an address by James W. Irwin before the 64th annual meeting of the Inland Daily Press Association.

Business Brokers

WANT to buy a restaurant, a bar, or a neighborhood grocery store? Chances are you can pick one up at the lowest price in years. Or would you rather go into the rooming-house or filling station business? In that event, you'll probably have to get on a waiting list and pay a pretty fancy figure.

In general, though, the price trend is sharply downward. That's the word from business brokers, the middlemen who make their living by peddling a concern's lease, stock, and good will to people who have a hankering and the werewithal to go in on their own.

Several months ago, say brokers across the country, they noted the beginning of a major turning-point in their trade: Demand began to fall off simultaneously with a rise in the number of enterprises put on the market. That trend is continuing today—and the net result is turnovers are running far behind the pace of the last three postwar years.

"I've got more listings than ever before," declares a San Francisco agent. "But the only queries I get are for long-term credit buys, and on top of that they want to cut the price." This firm is carrying 40 per cent more offerings on its books than this time last year.

Philadelphia's National Business Brokers say that they have about 300 listings now compared with about 200 a year ago, adding, "We could have 1,000 names on our board today, but there's no use accepting them if we know they're impossible to move."

Who are buying businesses these days? A Cleveland firm notes an increasing number of older people looking for small establishments. Older mechanics and factory workers are finding it tougher to get work and are looking for another means of steady income. Many workers hit by recent layoffs are now in the market for "income insurance" in the form of their own business.

A going-out-of-business footnote: Business brokers in the District of Columbia have found business so lean that their Business Brokers Association has gone out of business.

—*The Wall Street Journal* 3/3/49

Give to Conquer Cancer!

Free Enterprise—How Long Can It Survive?

IF THE question means—as I am sure it does not—how long can we preserve the status quo, my answer is that the battle has already been lost. That should be obvious to the most naive from reading the headlines, even if he does not realize that the very terms "preserve" and "status quo" are in themselves contradictory. By tomorrow today will have become yesterday. And under this society of ours in the United States, the status quo ceases to be status almost before we have had a chance to recognize it.

Consider the term, "free enterprise." There is hardly another combination of words or concepts, if taken literally, which so strongly implies and emphasizes change, striving, and constant dissatisfaction with the existing state of affairs. If we accept this definition of free enterprise, then we must accept the two truths inherent in it: First, we threaten what we seek to preserve if we defend the so-called status quo. Second, we preserve the best features of our American life when we seek to improve our economy and society.

As our vast enterprises and empires have been fashioned together from many smaller fragments, the whole character and ownership of American business has changed. No longer do we have the proprietor-manager, who was also manufacturer and salesman, combined in one person. The privately held enterprises have become publicly owned businesses with public responsibilities. We now live in an age of big business.

There are some who, having seen the results of big business combines abroad, assume that the same pattern is inevitable here—cartelization through price-fixing, allocation of trade territories, and restricted production. And here and there in some isolated industries which are making a last-ditch stand to survive against the onslaughts of technological progress, these theorists may find some evidence to support their preconceived conclusion.

But what they do not understand—and what Karl Marx never foresaw—was that technological development made possible by the investment of capital would enable man to multiply his possessions as well as multiplying himself. More important, they fail to recognize that under the stimulus of competition in a free society there can never be more than the most transitory monopoly. Gas competes with electricity; aluminum with magnesium; and the automobile with the refrigerator. In a system which places a premium on the creative abilities and initiative of individual human beings, no one—including even those endowed with monopoly under the patent laws—can think in terms of restricted production, or rigging prices, without ultimately defeating himself.

As a matter of fact, most business men in this country are increasingly recognizing the desirability of competition in this country taking a new form. No one but the amateur economist thinks in terms of brand versus brand for a static market. More and more we in business think in terms of expanding the market for our commodity—trying to enlarge the pew rather than just our own seat in it. To do so will mean a higher standard of living for everyone and constantly improving service to the ultimate consumer.

And who is this "consumer"? Actually, there is no such fractional human being. He is only a fiction we have indulged in, for he is also the worker, the investor, the veteran. But most of

all he is a citizen. He is a citizen who wants to believe that in his place of work he is entitled to the rights of full citizenship, who wants to live up to that ideal, who wants to feel that the place he spends his working hours is the best place for him.

As a responsible human being who gives a large part of his life to business, the worker wants to share the risks and rewards, to participate in the decisions which affect himself and his associates. People today resent personal—if not governmental—paternalism; they want a chance to work out their own destinies in the sense of being given credit for knowing how they can best perform the job at hand, after adequate training. We in management must somehow find the means of affording the average worker increasing opportunities for responsibility and participation.

Remember, it is "the uncommon man"—the average worker—who owns most of the wealth of this country. Today 84 per cent of all earned income accrues to workers in salaries and wages, as against 69 per cent 10 years ago. Today there are eight times as many high school graduates in the United States as there were in 1920. Today there are more people in this country with a college education than there are among the other 2,600,000,000 people of the earth.

It is up to management to enable the average citizen of today to develop and use his ability to direct his own destiny within the business framework. Similarly, we must encourage him to manage his own affairs within the community rather than delegate this task to others.

Through the local press and radio, through factory suggestion boxes and church forums, through educational associations and school assemblies, why not seek out the national and local issues in which people are most interested? Then why not, by means of your own research and the excellent materials available through national business and trade organizations, provide the wherewithal of informed judgment so that people having access to the case pro and con on each major issue may reach their own solutions?

In the process of organizing such groups, why not set up an advisory committee to your Congressman, representing the articulate voices from all branches of community service, not to advise him just about the need for a new postoffice or "pork-barrel" expenditures but to channel to him information about local sentiment on such broad national issues as health, housing, taxes and economic policy? How does he know how the community really feels on these scores today? Is there any machinery by which he can ascertain public attitudes or is he left largely to the mercy of pressure groups with an ax to grind on each particular issue?

We have few guideposts to the future except our own individual conduct—and our collective conduct as businesses, industries or institutions. Nobody except our competition is likely to put us out of business if we are truly keeping abreast of current needs and serving the public interests. Adverse reactions to a business don't just happen—they are caused by misguided action or are permitted to grow by default.

So rather than worry too much about the future of free enterprise in general, and subscribe to surveys designed to make us wonder whether any of it is worthwhile, let us instead move forward with a strong and active faith, proving ourselves, our livelihoods, our communities, our national heritage and

citizenship worthy of survival. And let us be thankful that we are challenged on every side to the point where we know that to survive we must retain the flexibility, adaptability, and resourcefulness, which has already enabled us to work out on this continent a society which can endure as a permanent monument to the human spirit.

From an address by LEONARD W. TRESTER before the Rotary Club, Marion, Ohio.

Danger of Self-Hypnosis

IS your product (or your service) as good as you and your associates *think* it is?

Recently one of our business friends told us that his organization had just experienced a rude awakening.

"We had swallowed our own advertising claims, hook, line, and sinker," he explained. "We knew that our product was the finest on the market—in quality and value and appearance. We considered the products of all our competitors definitely inferior to ours in every respect, and belittled them in our office conversation.

"The only trouble was, our sales curve was steadily declining. We alibied that our advertising wasn't as good as our competitors', or that our sales force had lost its punch. It never occurred to us that our product might be at fault. That was sacrosanct.

"Then one day I had lunch with the head of one of the large food companies. He was talking about his competitors, and the thing that impressed me was his respect toward them and their products. There was none of the belittling attitude that prevailed around our office. I said to him, 'You seem to have a wholesome respect for your competitors.'

"'We do,' he said, 'Ever since the time we went to sleep and let a competitor with a better product walk away with the market for one of our items because we had permitted our own advertising to hypnotize us. Now we go on the basis that if competitors' products aren't already as good as ours, one of them soon will be—and we'd better be on the job improving ours.'"

Our friend went on to say that when he got back to the office after that luncheon, he started the machinery for a series of tests of his products against the products of all competitors.

"We showed up very badly," he declared. "So we started to work to improve the product—and we're never going to stop working on it. Today, whenever anyone around our shop begins to talk smugly about a competitor, whether it concerns his product, his advertising, or some new business policy, someone is sure to come up with some such remark as, 'Yes—but maybe he's better than we think he is.'"

—*Management Briefs* No. 21 (Rogers & Slade)

Cheap Labor!

THE sad tale of a firm that, during the war, used dogs to help the guards patrol company property is told by Wade Shurtleff, Director of Industrial Relations at Willys-Overland Motors, Toledo. The canines were withdrawn from duty when the union lodged a protest against this cheap form of labor. Besides, the dogs didn't pay union dues!

In view of this incident it comes as no surprise to read of the New Zealand firm which is being sued by the Electrical Workers Union on the charge of unfair labor practice for employing a ferret to pull 600 feet of wire through a conduit. The ferret was lured through the conduit by the scent of a rabbit, trailing the wire behind him. The trick saved the firm the cost of several weeks' work by electricians. The union charged the company with employing an unregistered worker, paying insufficient wages, and engaging an under-aged worker.

—*Personnel Journal* 1/49

Stealing from the Boss

EARLY on a hot summer day, a police captain stepped from a factory doorway and pounced on a young employee toting some apparently empty cartons off the plant grounds. As soon as the handcuffs stopped clicking, the captain poked through the cartons.

"You sure have plenty of oil-burner parts here," he remarked.

To the horror of company officials, the thief turned out to be a trusted worker who was slated to receive a bonus for reporting to work an hour *early* each day. Actually, he had been using this precious hour to pack and remove machine parts valued at thousands of dollars.

At the same time, a railroad executive vacationing in Florida was discovering that the absentee owner of the resort at which he was staying was an agent for his railroad. He hurried home to find out that the agent had stolen $25,000 in company funds in order to build his little Florida empire.

Are these isolated cases? Hardly. The thefts of goods, money, and tools by slick-fingered employees zoomed to astounding heights last year. Despite attempts in many cases to hush the situation for fear of unwelcome industrial publicity, it is known that some 500 inside thefts costing $1,750,000 are being committed each working day, and that the annual total now touches the $500,000,000 mark.

"During the past year," says Richard T. Wood, manager of the American Surety Company Fidelity Department, "we have received employee-theft claims for the loss of aspirin, automobiles, barley, cod-liver oil, face powder, feed, shaving cream, tooth paste and typewriters. Why we even have a building superintendent who defrauded his boss by selling the radiators and washbasins of a vacant building."

These embezzlements are difficult to control because business inventories are susceptible to errors. Many big producers take inventories only once a year of the millions of parts that pass through their plants, and such legitimate items as spoilage, breakage, rejects, and "seconds" can be used to throw management off the scent of inside hauls or bookkeeping chicanery.

But an even more significant consideration is this: Most thefts are not perpetrated by employees with shadowy backgrounds but by trusted personnel who have long and faithful records. Studies by the American Surety Company show that some employees wait nearly 30 years before beginning to steal from the boss. One case was discovered in a southern town where a bookkeeper did not start robbing the company until 38 years after he began working for the firm!

Why do employees whose basic instincts are apparently honest resort to theft? Almost every type of gambling has enjoyed a boom since World War II, and surety companies link this fact directly with the increase in employee stealing throughout the country. Slot machines, roulette wheels, dice games, horse racing—all are used as come-ons to tempt the "honest" worker into making a fortune with the boss' money. Often the arrogant insistence on "keeping up with the Joneses" forces a trusted employee to slip into the mire of dishonesty. Or, doting fathers may be subjected to demands from spoiled children—demands they can't satisfy without sacrificing their souls.

Strangely enough, the employer is sometimes responsible for his own losses by forcing an employee to adopt living standards he can't afford, in order to enhance the company's reputation. Salesmen, particularly, when

they have been forced to "put on the dog" as a front for their company, have been known to raid the boss' till to carry out his wishes.

Probably the most pathetic swindles are those staged to meet financial crises arising in a family. For instance, a Detroit shipping clerk found that his wife needed an operation and insisted on the services of a top surgeon. Unable to meet the surgeon's fee, he juggled his stock records until he was able to pocket the proper amount. A $30-a-week bank teller in Kansas was refused a loan for his wife's operation and "borrowed" the money from his till. He paid back $10 or $15 a week for five years, before he was caught in the process of repayment.

In court, embezzling employees try to justify their indiscretions by insisting the boss actually "owed" them the stolen money. A Philadelphia cashier pocketed $10 a week for 26 weeks when he was refused a raise which he felt was his due. A $1,900-a-year assistant bank cashier stole another $1,900 each year to make up for his meager salary.

Another problem is the employee who can't see how the removal of a few items of stock from a great corporation constitutes theft. Once the habit of "taking things home" is started, it becomes an almost irresistible attraction. Often the stolen merchandise is not even needed by the embezzler, but it is pocketed in a thoughtless moment because he likes the idea of "getting away with something."

In two recent cases, women embezzlers turned their proceeds over to a paralyzed man and to a church fund, respectively. Usually, women are involved in these "unselfish" embezzlements. Surety-company studies show that the female swindler is more prone than the male to turn thief in order to help somebody else.

It isn't just the losses themselves which hurt, in the case of an "inside" job. As one department store executive points out, "The blow to morale hits you almost as hard. When you have thefts in one department, the section manager suspects all his men, and each suspects the others. Efficiency drops to near-zero."

One surety company estimates that there are 71 different ways an employee can steal, ranging from the simple pocketing of a tool to the most intricate accounting manipulation. Most common methods are these:

Paying bills to non-existent companies and cashing the checks with fake signatures.

Invoicing goods below established prices and getting a cash bribe.

Raising amounts on checks, invoices, and vouchers after they have been approved.

Issuing and cashing checks for "returned goods" not returned.

Pocketing the proceeds from cash sales and not recording the sales.

Collecting doubtful bills and reporting them non-collectable.

Padding payrolls, time, and production records.

What can be done to meet the growing American problems of employee theft? The first antidote is improved security precautions. Surety officials and public accounting firms have devised a series of internal checks which, if applied properly, would go far toward preventing employee fraud. Detailed procedures for individual firms are beyond the scope of this article, but here are some general rules useful in almost every business:

1. Rigid character investigations should be made before an employee is hired for a position of trust.

2. Division of labor should be stressed, so that no single employee is assigned to record and handle all phases of a financial transaction.

3. If possible, employees should be rotated in different jobs.

4. At least once annually, statements

to customers should be sent out during the vacation of the bookkeeper or cashier.

5. Countersignatures should be required on all checks.

6. Inventories should be taken as often as possible, and by someone other than the person in charge of the stockroom.

7. All invoices and statements for merchandise and supplies should be approved by the proper authority, other than the bookkeeper, before payment is made.

8. Distribution of payroll money should be made by someone other than the person who computes the payroll.

9. Insurance is an obvious means of protecting employers against employee theft. Yet, only 10 per cent of present fraud loss in America is covered by insurance, whereas for fire losses the figure is 76 per cent. Surety companies offer a variety of bonds: In some plants, coverage of a few key individuals is deemed enough to protect the firm against loss. Most comprehensive form is blanket bonding, which covers most or all employees of a firm.

Embezzlers generally fear the relentless arm of the surety company even more than they do the traditional long arm of the law, and for good reason: The bonding firms can't afford to let a swindler get away. Recently, detectives from one company caught up with a man in Alaska who had pocketed $20,000 of his firm's money in Atlanta, Georgia, almost 25 years ago.

Cordial relations between employer and individual employee or employee organizations is regarded as a definite factor in limiting thefts. And in some firms, a policy of selling the company's own products at reduced rates to employees has operated to keep thefts within the organization at a minimum. But even where such enlightened practice is in force, cases of employee theft are recorded regularly.

The final answer, of course, lies in the moral values of the employee himself.

BY MARTIN ABRAMSON. *Coronet,* January, 1949, p. 45:6.

Does Your Community PR Man Function Like This?

HERE are typical duties of a plant public relations manager whose main responsibility is to better community relations:

1. Direct and coordinate all contacts between plant and the community press and radio.

2. Direct and coordinate contacts between plant and community agencies or groups, including public bodies, schools, service clubs, churches, etc.

3. Organize and administer an efficient and suitable system for handling plant visitors, including the training of an appropriate guide staff, routing of visitors through plant.

4. Prepare or assist in preparation of public speeches by plant officials. Be responsible for policy clearance of all such speeches. Appear personally as a speaker representing the company on appropriate occasions.

5. In cooperation with training director, be responsible for proper training in public relations policies and practices of receptionists, telephone operators, gate attendants, guides, and others coming in regular contact with the public.

6. Prepare and distribute news releases, magazine articles, and other similar material for press and radio.

7. Consult with and advise works manager, works industrial relations manager, and others on the public relations phases of problems of employee or union relations.

—RICHARD L. SIEGEL in *Modern Industry* 12/15/48

How to Improve Your Public Speaking Ability

THE average public speaker's problem is almost identical with that of a good salesman. He must attract his audience, then interest them, then convince them, and then sell them. He is neither a miracle man nor an orator, but a matter-of-fact business man with a message; and the better speaker he is, the better job he can do for himself and his company.

If you would like to improve your speaking ability, there are just three things for you to do:

First, study the practical hints listed below. *Second,* buck up your courage and start getting some actual practice—either before your own company personnel, before your club or fraternal organization, or even at home before your own family or your mirror. *Third,* try to analyze your shortcomings. Select the points below that will help you and start all over again, and again, and again.

1. *Stand up—Speak up—Shut up!*

Stand up with dignity. Speak up with authority. When you have finished what you have to say, stop talking. It is better to stop talking before you are through than to keep on talking after you have finished.

2. *Organize your material logically.* Write down all the points you expect to make, in their correct order. Write a good introduction and strong climax and you have a speech!

3. *Prepare your material carefully.* If your audience is worth talking to in the first place, you should give careful thought to what you will say. Write down the highlights in outline form so you will know exactly what you are going to talk about.

4. *Put a "bang" in the opening gun.* Make your audience sit up and take notice right from the start by opening with some dramatic or forceful statement and keep them awake with the high caliber of your ammunition.

5. *Don't speak too rapidly.* If you are extremely nervous, slow down deliberately and take it easy. Remember that the average rate of speech is between 125 and 150 words a minute. Time yourself at home by your watch with the exact number of words a minute. You will soon get the knack and will learn to recognize the proper timing of your speech.

6. *Enunciate distinctly.* No matter how good you think you are, if your audience cannot understand you, they won't listen or pay any attention to you.

7. *Use occasional emphasis and change of pace.* To avoid monotony, alternate the soft and loud pedals of your voice. This injects that vital ingredient, "change of pace"—the quality that adds color and sparkle to a speech.

8. *Pause occasionally.* Stop a moment between thoughts to catch your breath and give your audience a chance to catch up with you. Pause for punctuation, for effect, for emphasis, for reflection, for climax, for the conclusion.

9. *Use plenty of analogies and examples.* Illustrate your point. And tie up your talk with good props like easels, charts, photographs, samples, miniatures. A set of interesting exhibits will frequently cover a multitude of sins.

10. *Tell a story that makes a point.* Then tie up that point with your speech. With clearly described vocal pictographs, make your stories *picturize* the points in your speech.

11. *When you have made your point, drop it.* Don't carry on your story or argument until it becomes boring and makes your audience impatient. Make it short, make it interesting, make it snappy.

12. *Talk with animation and interest.* You need a dynamic quality in your manner to produce an electrical vibration in your audience. Avoid a deadpan poker face unless you are delivering a eulogy at a funeral.

13. *Leave some thinking to your audience.* Don't tell them everything from A to Z—leave some thinking for them to do and some questions for them to decide. They like to feel that they know some of the answers, too.

14. *Use suspense to keep interest alive.* Don't make the mistake of giving away the point of your talk before you actually *reach* the point. A little suspense is an excellent tonic.

15. *Be brief but don't skeletonize.* The trick is to put enough meat on the skeleton so your talk won't be too thin —but not so much that your talk is too heavy.

16. *Don't "shoot your wad."* Keep some ammunition in reserve. You may need to answer questions—you may become involved in arguments.

17. *Put human interest into your talk.* Use names, titles, personalities whenever you can. Mention people whom other people know. Discuss problems in relation to the human element.

18. *Don't talk like a preacher.* No one likes to be addressed as a student, or preached at outside of church. No one cares to be "experted." To avoid resentment, avoid being didactic.

19. *Don't "talk down" to your audience.* Leave all importance and pompousness at home. And remember, good old Anglo-Saxon English is still the best medium of expression for all groups.

20. *Don't use generalities.* Be specific, be factual, be definite. Instead of merely saying *what* to do, try to show *how* to do it.

21. *Don't offer too much advice.* No one likes to be told what to do. They will listen if you tell them what other people have done. Use third-party analogies wherever you can.

22. *Look at your audience instead of through them.* You must learn to *look at* your audience constantly. Look at the people in your audience; then look at individuals among the people.

23. *Don't overlook your objective.* Build your talk around a strong central objective. Keep your material in line, keep your line on a straight track, and remember that a track must always find its way to a terminal.

24. *Emphasize your points.* When you have reached the end of a thought or the close of your talk, point out the accomplishment of your objective. Summarize the points you have made so as to refresh the memories of your audience.

25. *Stop when you have reached your climax.* Build up to your climax at the end of your talk and then stop! Anything you say after this point is a let-down and has little force or effect.

BY HARRY SIMMONS. *Sales Management,* Oct. 1, 1948. p. 74:5.

AMA GENERAL MANAGEMENT CONFERENCE

The General Management Conference of the American Management Association will be held on Wednesday and Thursday, June 8-9, at the Waldorf-Astoria, New York City.

Office Management

Internal Office Controls to Prevent Loss

EACH year losses running into millions of dollars are sustained by American business through defalcation of employees. Every business man trusts his employees and enjoys a sense of security in this trust until it is shattered by discovery of theft. Then he rushes to take precautionary measures which should have been taken before—locking the stable after the horse is stolen.

There are three major preventives of loss through defalcation: independent audits, fidelity bonds, and internal control. The best defense against defalcation, however, is an adequate system of internal control.

Internal control does more than prevent fraudulent abstraction. It safeguards the fundamental accuracy of the records. It checks on correct classification of transactions. It insures the general accuracy of financial statements. It verifies that the business policies determined by management are properly carried out.

CASH. It is probable that more losses occur through fraudulent application of cash funds than in any other manner. Here are a number of procedures which should be followed for adequate internal control, use of these procedures depending, of course, on circumstances as well as on size of office:

1. The function of receiving cash should be separated from that of disbursing, and both should be separated from the duty of recording the transaction.

2. All receipts, either checks or cash, should be kept separate from petty cash funds, and should be deposited intact, preferably daily.

3. All cash funds should be represented by a ledger account.

4. Receipts received by mail should be listed by the mail clerk in duplicate. The original list should accompany the checks to the cashier, the duplicate should be routed to the accounting department.

5. A permanent record should be made of cash sales.

6. All disbursements should be made by check, except minor disbursements (which should be made from a petty cash fund).

7. The disbursing cashier should have no part in preparing or approving vouchers for payment.

8. Properly approved vouchers should be available in support of every disbursement.

9. Someone other than the cashier should reconcile the bank account.

10. Checks should not be signed or countersigned in advance.

11. Petty cash funds should be kept on an imprest basis. When the fund is reimbursed, all vouchers supporting disbursements should be cancelled by perforation, date stamps, etc.

12. Special disbursements by checks, such as dividend payments, payroll, vacation pay, etc., should be handled through separate bank accounts operated on an imprest basis.

PAYROLLS. Because of the many individual computations and calculations, extensions, multiplications, and addi-

tions needed to produce correct figures in payroll preparation, procedures must be prescribed and followed faithfully:

1. No employees should be added to payroll without approved authorization from employment office or other hiring point.

2. Time cards or time sheets should be maintained for each employee, showing the exact number of hours worked, and the units produced each day.

3. Time clocks should be used to check hours worked; otherwise supervisors must be responsible for proper recording of hours worked.

4. Standard labor budgets for each department should be prepared and actual wages paid should be checked against these budgets weekly. Variances should be explained.

5. The units of production paid for on the payroll should be proved against the totals of production reports.

6. Payoff should be made by check. However, if made in currency, a receipt for the pay envelope should be received from the employee. The pay envelope should be handed by the paymaster only to the employee.

7. Any pay checks or envelopes not distributed should be returned to a central point, listed, and held until called for by employee. Any wages unclaimed after a fixed time, e.g., three months, should be listed and handed to the cashier for deposit.

8. No change in rate of pay should be made without properly approved authorization.

9. All rates, extensions, and footings on time sheets should be checked.

Purchases. The following procedures apply mainly to the acquisition of physical items:

1. All purchases should be initiated by an approved purchase requisition, from which a purchase order is issued, giving account classification to be charged with purchase or purpose of purchase.

2. Purchasing should be centralized. Ordering should be handled by one person, preferably an authorized purchasing agent, or through a purchasing department.

3. Where feasible, particularly where large quantities of materials and supplies are acquired, purchasing should be on the basis of competitive bids or quotations.

4. Each department should have set up for it a budget of operating supplies. All purchases initiated by that department should be charged against such budget.

5. All purchases coming into the plant should be recorded on an individual receiving report or entered in a receiving record.

6. An inspection and count of the goods should be made to determine correctness of quantity and condition.

7. Overages or damage should be reported through proper channels to permit claims to be filed without delay.

8. The receiving department should transfer the incoming goods either to a storage point or to the point where the material is required, and should obtain an acknowledgment of such delivery.

9. Vendors' invoices should be (a) checked against receiving reports to verify date of receipt of material and quantity; (b) checked against purchase orders to verify price and terms of purchase.

10. Classification of invoice amount should be checked and verified. Is it to be expenses or capitalized or placed into an inventory?

11. Discount terms should be observed and discountables segregated so as to take advantage of the discount terms.

12. The purchase order should indicate terms of sale, e.g., whether delivered at mill or f.o.b. shipper, or freight collect or freight prepaid. Procedures covering the handling of freight bills should be such that freight bills can be approved only if in agreement with terms of purchase order.

13. Return of merchandise should be made only after the purchasing department has taken up the matter with the vendor. The purchasing department will then initiate the return by issuance of a shipping authorization, a copy of which should be sent to the accounting department to be held pending receipt of a credit from the vendor.

14. An appropriate rubber stamp impression should be placed on all vendors' invoices, with a space provided for initials or reference to indicate that invoices have passed through each step in the control procedures.

15. Vendors' monthly statements should be checked against unpaid vendors' invoices. Any balances thereon not supported by an invoice should be the subject of inquiry.

16. Purchase of utilities such as water, electricity, and gas may be checked against meter readings. Advertising billings should be checked against copies of advertisements and advertising contracts. Long-distance telephone charges should be checked against the record of calls maintained by the switchboard operator. The amounts of insurance premiums billed should be checked against insurance policies. Professional fees, such as auditing, accounting, legal fees, should be approved by a top executive.

SALES. Internal control should begin at the point where an order is received.

1. A systematic record should be made of all orders received, stating quantity of units, type, sales price, delivery terms, discount terms, etc.

2. Shipments should be made only upon receipt of order to ship prepared by the department which holds the sales order.

3. Provision should be made for necessary approval to indicate the shipment of merchandise and transfer of title to purchaser. Thus, bills of lading should be signed or some form of receipt should be obtained for the delivery of the merchandise.

4. Provision should be made for the return to the billing department of the shipping order with the necessary indications on it that the shipment was made. Invoices may then be prepared from such data.

5. Quantities, prices, extensions, and additions of sales invoices should be checked before invoices are mailed.

6. Perpetual inventory controls should be established over merchandise, to be adjusted when shipments are made.

7. Where cash sales are made, prenumbered cash sale slips should be used by sales clerks. All such slips should be accounted for.

8. Procedures should be set up to provide for return of merchandise so that it may be inspected on receipt and proper credit issued to the customer.

Perhaps certain weaknesses in your office systems are apparent to you. Review your existing procedures. Is your system of accounting modern or outmoded? Do you have enough internal controls? Check on procedures. Find out whether they conform to those you assume should be followed. Put an end to any slipshod methods you find your clerks pursuing because of improper training or inadequate supervision. Remember that slipshod methods invite embezzlement. Close the stable door while you still have a horse!

BY L. COLLETT. *The Office,* December, 1948, p. 39:11.

Office Manners—The Gals Talk Back

WHAT makes the difference between harmony and conflict in most office relations? What determines whether there are to be good relations between boss and employee, and among fellow workers? The answer, in the majority of situations, can be found in one word: Recognition. Recognition is a basic human need. We like people to take our advice, to recognize that our judgment is sound. We join clubs and societies to be identified with a group —another type of recognition. One underlying aim of unionism, in factory or office, is to gain recognition. In office relationships, recognition seems to be of two kinds: financial and social—"social" not in the Emily Post sense, but in the sense of recognition as a *person,* important for his own sake.

An informal survey, conducted by the writer and some office associates, revealed the feelings of a number of clerical workers in regard to office relationships. The desire for financial recognition was mentioned much less often than might be expected, and then only indirectly. Several girls said they disliked the fact that they had to ask for merit raises since the company apparently gave none voluntarily. This is a common source of friction.

Petty jealousies sometimes occur when people who have access to confidential salary information let this knowledge affect their relationships with others in the office. The ideal arrangement is to have salaries controlled by a "neutral" agency, such as a home office or a centralized payroll department.

Job security apparently was not a strong factor among the younger office girls interviewed. They did, however, want a chance to advance to top posts. And they felt the company should provide training to enable them to advance. Few considered it necessary to take evening extension work on their own initiative, or at their own expense. The survey showed that some resentment is felt toward bosses who stand in the way of promotion of their secretaries. Few men are willing to relinquish a good secretary and break in a novice. "Once a secretary, always a secretary," is too often true.

In many firms, both employers and employees are alert to the importance of human relations in the office. The boss attends numerous conferences, writes bulletins and memoranda on how to handle employees. Girls have dipped into popular psychology and have taken courses on office practice. Yet, in instance after instance, office workers complain that the bosses "don't practice what they preach." And employers, on their side, say that the younger office workers make little effort to study their bosses' personal habits or to anticipate their needs. The reason for this mutual lack of understanding is that most people neglect to apply the knowledge of human relationships they already possess. They do not recognize that the other person is an individual.

Our survey showed that the outstanding grievance of both secretaries and office workers was being kept overtime without notice, whether or not overtime was paid. Here are typical comments: "He dictates too late." "He sits around all afternoon before he dictates." "He forgets employees have their own plans for after-office hours." "He waits till five of five to sign correspondence or reports." "He called me up Friday night to come in and work Saturday." Lack of consideration on the part of the boss comes in for its share of criticism. One secretary wrote,

"I don't wish to cast aspersions on my boss, a grand person, but he doesn't realize how many 'piddley' details take up a secretary's day."

Social status is important to women. They resent a boss who asks his secretary to shop for his wife.

Several girls complained about cigars or pipes—not that they expected men to give up smoking for their sake, but they like a man to ask, "Do you mind?", particularly in cases where a girl has to sit for hours in a smoke-filled room. It's a wise boss who remembers there are no more stenographers. All girls who take shorthand are now secretaries. An even worse offense than calling a girl a stenographer is to abbreviate her title to "steno." The nervous boss or supervisor isn't too popular either. He is the man who continually checks up on everything. "He robs me of all confidence in myself," a fairly self-sufficient Miss reported. "As a result, my work suffers progressively." "My boss picks up work before it is finished," a secretary to a man in a junior executive position reported. "He doesn't give me a chance to see if there are any mistakes in it." "It's very seldom that I have a private phone conversation," a young woman who had left school-teaching for business explained. "In school, teachers aren't in the habit of getting phone calls. But, occasionally, someone does call me, since in business there is more latitude about this matter. My employer seems to have the habit, then, of standing and listening to what I say—not unkindly, but just curiously. But it's annoying, just the same!"

The boss who isn't neat is resented by some girls, judging by survey responses. Other "grievances" are the boss who decides the time of his secretary's vacation, who marks up work that could be corrected, who writes poorly, who corrects his secretary in front of others, who talks about other workers. High on the list of good qualifications of bosses is remembering anniversaries. Women love anniversaries—the box of candy on a birthday or when someone has been with the company a year, or five years, is a mark of true consideration.

Girls will often overlook things they dislike in the daily routine of office work. But, let a visitor be present, and little annoyances are magnified. The boss who dictates in front of a visitor and then asks a perfectly efficient girl, "Did you get that?", has a black mark against him. So also has the man who repeatedly calls a girl to impress a visitor, and issues enough instructions to last a week. The habit some people have of saying, "This won't take long," rubs the employee the wrong way. "He hasn't the slightest idea how long it will take!" one girl angrily exclaimed.

These survey findings suggest ways in which human relations in the office can be improved. Recognition of everyone as an individual—whether he is a boss, a fellow worker, an assistant, or someone outside the company, is a most important factor in office efficiency.

By Esther R. Becker. *Personnel Journal,* November, 1948, p. 218:5.

• CUTTING COSTS of office printed matter is quite simple. Nine times out of ten, printed matter is ordered in quantities of 1,000, 2,500, 5,000, 10,000, or 25,000. When we need slightly more than 2,500 copies of something, the usual custom is to order 5,000—when 3,000 or 3,500 would be sufficient. Train everybody who has authority to write requisitions to study quantities carefully, and to stop this absurd jumping from 10,000 to 25,000 and 25,000 to 50,000.

—*American Business* 8/48

Personnel

Building Employee Interest in Company Activities

"KNOW YOUR COMPANY" is a phrase you'll be hearing more and more.

Management men are growing alive to morale and production dividends that come from a workforce that has plenty of "savvy" about the past, present, and even the future of their companies. While worker education along these lines is not the latest thing—the dramatic, punchy devices now being used to get the facts across are part of that "bold look" in employee relations.

The *Bulletin Board Quiz,* for example, is a new and provocative technique. It runs along these lines: Each week a question about the company, its products, or its policies, is posted on the bulletin board. At the end of the week, the names of all employees are put into a hat and one is selected at random. If this employee knows the answer to the bulletin board question, he gets the five dollar prize. If he doesn't know the answer, the five dollars swells the pot for the next week's contest. Questions will vary, of course, according to size of company and nature of operations. But in general they should have factual answers—should not call for opinions. It might make it easy for the worker if he is given a choice of three or four possible answers, only one of which is correct.

Then there is the *End-Product Display.* Many firms produce parts that go into larger articles made by other companies. Usually employees of the parts manufacturer haven't any notion where the gadgets they make finally end up. It contributes to job satisfaction if this knowledge is brought home to the worker.

Cleveland Graphite Bronze Company shows how the things it makes contribute to industry by displays of its customers' products. These displays are obtained through customer cooperation and are set up in the plant where they will attract employee attention. In many cases, a cut-away model of the end-product is presented to show how the part made by the Cleveland Company fits in.

Taking the form of the *Lunch-Time Quiz,* the quiz idea hit a new peak at General Aniline & Film Corporation. Quiz blanks are distributed at lunch time in the plant cafeterias. Correct answers mean free lunches. Game is called "Qunch"—a copyrighted name. If you want a sample and permission to use the idea, write to: Public Relations Department, General Aniline & Film Corp., 230 Park Avenue, New York 17, N. Y.

Questions follow the same line as those used on the bulletin board quiz, previously discussed. There are no tricks. No question is asked on the quiz until the answer has been made available to all employees through the house organ, employee handbook, or other medium of communication used by the company.

The *Bulletin-Board Montage* is a potent interest-getter. An ordinary notice pasted on the bulletin board giving some facts about the company would be passed over by the majority of employees. Maybe the first few lines would be read—but that's about all.

Not so, however, when the information is glamorized with pictures and the whole set up in an arresting way. This method involves the same psychology used by *Life, Look,* and other popular picture magazines. Knowledge is absorbed almost without effort when such visual aids are used.

Columbia and Grant Mines use the *Photographic Organization Chart* to advantage in acquainting employees with organizational setup.

Organization charts are old hat—and usually rather dull. But dress them up with names and pictures and it's a different story. Employees feel a closer kinship with supervisory personnel when they can pick out their pictures and visualize the spot they occupy in the plant setup.

This device can be adapted to a plant, division, or department, as well as an entire company. When used on this basis, it's particularly valuable as a "Who's Who" for the new employee.

Then there is the *"Follow a Typical Job" Approach.* Most people find case histories interesting. If you are trying to get across to your employees the many and varied operations that make up your business, this method has much to recommend it. It can be used effectively by taking a typical job from the time it originates as an order and following it through the plant until it emerges as a finished product.

Steel Improvement and Forge Company follows this technique and does an unusually good job. In a pamphlet entitled *Let's Take a Look at Our Business,* it illustrates the steps necessary to produce and deliver a golf club head. Here again use of visual aids is involved. This has rapidly become a favored method of employee communication. It usually proves especially adaptable for conveying "know-your-company" facts.

Employee Relations Bulletin, December 20, 1948, p. 6:4.

Big Health Programs for Small Plants

FEW business men would argue against spending a little to keep employees healthy. But many small-plant owners claim good medical programs aren't feasible in small enterprises. The contention isn't necessarily true. Experience of seven relatively small firms in the Borough of Queens in New York City proves a small plant can have a big health program with minimum encumbrance and large benefits.

The seven companies agreed to participate in a one-year "demonstration" health program sponsored by the U. S. Public Health Service, Queens Borough Chamber of Commerce, and other groups. Sponsors rounded up organizers, physicians, and nurses. Companies allotted space, helped with costs, agreed to maintain the service indefinitely if it proved worth while.

It did prove worth while—to all. One firm reported a 50 per cent drop in absenteeism. Insurance men, noting the reduced medical costs, spoke of lower rates.

The operation, essentially, amounted to this: Most of the plants set aside two-room health suites, costing from $550 to $3,667. Medical supplies cost from $5 to $10 a month. Time spent by physicians in the plant varies, according to need; their pay ranges from $5 to $10 an hour. Nurses, too, work varying lengths of time—some full-time, some part-time.

With this rather simple apparatus, the plants can afford: pre-placement medical examinations to fit workers to jobs; treatment of work-incurred injuries; and diagnosis of ailments that may require outside specialized treatment. Program also provides means of stimulating annual physical examinations. Health posters are utilized. Doctors and nurses check plants for health hazards.

For all this the average cost per employee was $12.98 a year.

—Kiplinger Magazine 12/48

Why Pick on the Cost of Living?

By EDWARD C. SCHLEH*

YES, why pick on the cost of living? In the last several years the cost-of-living wage approach has acquired almost a sacred halo and its sainted use for setting wages and salaries has become more and more common. While it is undoubtedly useful, how many of its implications are realized when it is so casually bandied about in wage meetings?

The cost-of-living index of the Bureau of Labor Statistics is apparently based on a four-person "typical" worker family using a 1934-36 budget as a starting point. This family lives in a four-five room house or apartment with various itemized conveniences. Is this the "average" worker in your plant? Are a large proportion of the workers single women? They may not buy the same things as the "typical" family.

If you use the BLS index and your plant is far north, how do you account for heavy fuel and clothing costs, for example, as against another plant which is in the deep south with little cold weather?

Some maintain that the increase in taxes is part of the increase in cost of living. In essence this is a "pass the buck" type of thinking, a refusal to accept the responsibility each of us has as a citizen to support our government. Tax experts say that the man who "feels" the tax is usually more interested in his government. It might therefore be questioned whether this thinking leads to good citizenship. If we do want to consider the increase in taxes, whose taxes have gone up the most? Those of people in upper income brackets? Perhaps, then, we should give the largest increases to top executives.

*Personnel Consultant, Minneapolis, Minn.

On one interpretation a cost-of-living wage plan presumes that the firm guarantees a certain level of living. What does the company do if a couple has a child? Give, as Hitler did, a special progeny subsidy? Actually, since each person's cost of living is different, we seem to lead to individual wage bargaining based on each employee's living costs. And then what becomes of wage and salary plans basing rates on the value of the jobs? We could hardly promote people to higher-graded jobs by number of dependents in order to take care of the cost of living. We wouldn't want an employer to hire only single men and women in order to equalize standards of living.

A cost-of-living plan may do another strange thing with collective bargaining. At the same time that a worker decries high prices, he welcomes them when bargaining with the employer because through them he gets a raise.

For that matter, certain wage rates have risen more than others—perhaps those of the building trades in some cities. Does this mean we do not raise these rates because they have gone up more than the cost of living? Carried to its ultimate conclusion, wouldn't the cost-of-living approach equalize all pay rates regardless of the work since we all pay the same prices? But, you say, isn't this communistic thinking?

The cost-of-living idea tends to give an employee a false sense of security—his company protects him against changes in business conditions. How do we justify the cost-of-living approach in periods of decline in company business? Can a firm maintain the same payroll or even the same real income

of its employees with less business? We foster an illusion if we ask employees to believe this. Few firms can stay in business unless they can cut costs sharply when sales drop. When firms fail, few of us benefit.

You can't give more to everybody if there isn't more production. During the last couple of years few firms have had increases in efficiency sufficient to justify either a large cut in prices or a big increase in wages. Previously our economy gave more and more to the workman because, through better tooling and improved methods, he produced more in each working hour. It's a capitalistic principle that the rewards go to the one who better satisfies demand either by lower cost or superior quality. Higher raw material prices have generally been an invitation to a company cost-reduction program aimed at maintaining competitive prices. Firms didn't find the answer through a raise in costs due to a wage boost based on higher price levels.

A cost-of-living wage program has another implication for the man on the job. It is essentially a "hold tight" method inviting no change. It seems to assume that a man will work at the job assigned to him and his standard of living will be maintained without regard to the natural effect of demand on the prices of scarcities. Historically, productivity in manufacturing industries increased an average of 3 per cent* per year from 1909 to 1939. This wasn't done by maintaining a constant standard of living but by continually reducing costs. Then, through the stimulus of competition, prices were reduced and the American workman was offered more and more for each hour of work. Do we halt this development and hold a constant standard? For example, with 3 per cent annual increase in efficiency we would presumably be in a position to cut prices about 30 per cent over a decade, and we would probably be forced to do so by competition. Should wages then be cut 30 per cent because the cost of living no longer calls for higher wages? You say competition will take care of that too. Right, and why shouldn't competition apply its natural brake now? Prices go up until nobody buys. In fact, they have to; it's the way competition works. Raising wages on the basis of cost of living simply results, in a competitive system, in more bidding for goods and so still higher prices.

From a company viewpoint, what is the gain from cost-of-living thinking? Does this give the company more production for more pay? It hardly emphasizes this. You may say that the enhanced morale resulting from being able to meet bills more easily will yield a big return. How many cost of living-raised employees produce more in gratitude? The cost-of-living method says, in effect, "You get a raise not because you have produced more but because your cost of living has gone up." How can we again become production-conscious with this kind of thinking?

We say a man should get a raise equal to the cost-of-living rise. What about the shoe repairman, the grocer, the landlord, the painter? Their cost of living has gone up too. I suppose, then, they are "entitled" to a cost-of-living raise. But how can they get it? By raising their prices. But, you say, this raises cost of living even more. Of course it does, and generally so do any raises in industry if not based on lower costs.

How about the bondholder, stock-

*Source: Bureau of Labor Statistics.

holder, pensioner, and insurance holder? Their cost of living has also risen. Shouldn't a cost-of-living dividend be declared on bonds and stocks, and all pensions and insurance returns be raised to meet the cost of living? Accepting the cost-of-living idea seems to make this logical. But more for holders of government bonds, for example, means higher taxes and so a higher cost for us all.

If everyone received the cost-of-living raise, prices would probably have to rise accordingly, so there would be no gain anyway. Then, I suppose, we should have another cost-of-living raise due to the higher prices, and so on to more inflation. For that matter, financial experts say that the general price rise we have experienced is due to a large extent to the effect of government war and peacetime expenditures—that these have led to "watered money." In one sense we are paying for these government expenses through high prices. Isn't this an obligation we all must assume?

Economists say that an important need of a smooth-working competitive system is a labor force willing to move to any part of the country. Such a system has been encouraged in the past, for a man who found it hard to earn enough pay for his needs would look for an area where living costs were less. This in turn has aided the development of many parts of our nation. But a cost-of-living plan tends in just the opposite direction—it tends to hold people in high-cost areas.

Actually, how would we justify cost-of-living raises? In manufacturing industries weekly earnings* increased over 100 per cent from January, 1940, to April, 1948. Cost of living went up only 70 per cent in the same period.*

If we grant a cost-of-living raise, how do we give it? If we employ only a U. S. Cost of Living Index, what do we do about inter-city differences in cost? From December, 1939, to April, 1948, cost of living increased 78 per cent* in Savannah, Georgia, but in Kansas City, Missouri, it increased only 64 per cent.* Should we give a smaller increase in Kansas City? We also have to decide on our starting point—1940? 1945? Why not 1929?

You may say that all you do is simply use an index, such as the BLS Cost of Living Index, for determining wage levels and do not thereby accept any cost-of-living theory of wages. But any index is based on certain assumptions, such as type of household budget used. Moreover, aren't you saying, in effect, that a governmental bureau in Washington decided how much you pay? Suppose the bureau decides that the worker budget of 1934-36 which had been used is now obsolete and a new budget is needed. You've obligated yourself to the all-wise thinking of this bureau, so presumably you should also see that the budget is changed if they say so and go along with them. This has a suggestion of state control.

In any case, let's ponder a little as to where a cost-of-living wage program could lead us. It may pay to analyze its many implications more critically.

*Source: Bureau of Labor Statistics.

• THE FIRST KNOWN STRIKE in the United States took place in 1786 when some Philadelphia printers struck for a $6 weekly wage, according to a Twentieth Century Fund study.

Arbitrating a Wage Dispute Case

THE arbitration of a wage dispute case is not an unpredictable process. The elements that constitute it can be analyzed and formulated. The parties know the material, the determining factors and their relative importance, and employ them in their everyday negotiating sessions. The limits within which the arbitrator will award are not elusive, subjective, or imaginary. The award seldom falls outside the area of "probable expectancy." This area is the normal resultant product of the parties' negotiating and bargaining, prior to submitting their differences to arbitration.

Although, with increasing frequency, parties to a collective bargaining contract are submitting their wage dispute to arbitrators, some feeling of misgiving still prevails. This attitude of uncertainty and insecurity with respect to the use of the arbitral process to determine a wage dispute arises from two principal sources: one, a lack of definiteness and clarity in the written submission agreement, setting forth the issues to be decided; and two, incomplete, ineffective or faulty proof of the factors and criteria upon which the arbitrator will decide the issues before him.

The first failing stems directly from the contract or submission agreement created by the parties themselves. The wage dispute may arise in the negotiation of a first or renewal contract. More often, it arises under a "reopening" clause in an existing contract. Rarely does the contract or submission agreement set forth standards for the arbitrator's guidance or qualifying limits for his award. On the contrary, the "reopening" provision or submission agreement is often written in general and even obscure terms. Its scope is vague, its meaning uncertain and ambiguous. Thus, a commonly used clause merely states that "the question of wages" may be reopened by the union, or, a clause may merely provide for the "adjusting of wage rates."

At the hearing, the parties wrangle over the interpretation and application of their written contract or submission agreement. The arbitrator must first determine from the language used what their intentions were when the agreement was written. Did they intend to submit to arbitration only the issue of a general, across-the-board wage increase? Or did they intend that other matters which relate to wages—such as premium pay, additional vacations and holidays, paid rest periods, health and welfare funds, etc., were to be arbitrated? Are new job rates to be set? Is the general increase to be integrated into the wage structure or shall it be applied as a "cost of living" bonus to present employees only? What about the hiring rates, the minima and maxima of job rates and labor grades? What shall be the effective or retroactive date of any increase or adjustment awarded? To which employees shall it apply?

The resulting confusion cannot be attributed to the arbitral process as such, much less to the individual arbitrator. The responsibility rests squarely on the contracting parties themselves.

The second source of difficulty in wage arbitration—incomplete, ineffective or faulty proof—is likewise not chargeable to the arbitration process. While the experienced arbitrator may have the duty of indicating to the parties the kind of proof he deems material, he cannot decide the issue outside of the proof the parties present.

It is a tribute to the inherent value

and strength of the arbitral process that even these errors of omission on the part of the parties only rarely make the difference between losing or winning the case. More often, they affect the arbitrator's award within the limits of that area of probable expectancy. Thus, if the arbitrator is convinced that an increase is warranted under the union's proof, he may be undecided upon awarding, for example, the full amount of the rise in the cost of living or of the "pattern" established in the industry. Whether a lesser amount will be granted may depend upon proof the company offers under the criteria of resulting competitive disadvantage or financial hardship.

There is no established or fixed formula available to arbitrators for the determination of a wage dispute. Yet, there are certain material or controlling factors and criteria which the parties must be prepared to establish or disprove by evidentiary facts. These factors and criteria may be grouped under the following categories: (1) changes in the "cost of living"; (2) improvement in wage earner's standard of living; (3) prevailing wage rates for comparable jobs in the industry or local labor market area; (4) effect of "patterns" or industry-wide wage increases; (5) competitive conditions in the industry or local labor market area; (6) levels of current wages and earnings in comparable bargaining units; (7) financial ability or inability to pay; (8) relation between productivity and wage increases.

In addition, there are certain other factors, collateral to the foregoing, which present problems in the particular case and which affect the arbitrator's determination. They are: (9) establishing the effective or retroactive date; (10) method of application or integration into the wage structure of any increase awarded; (11) cost of other contract benefits secured or awarded; (12) relation of labor cost to total cost of production; (13) contractual controls over future changes in wage conditions.

The proof that the parties offer the arbitrator in support or refutation of contentions asserted under the foregoing criteria must be specific, factual, and material. Thus, in calculating the percentage rise of increase in the cost of living for a particular case, the appropriate date and applicable period must first be resolved. In one case, for example, the union argued for the date negotiations were commenced, rather than the actual date on which the contract was signed. The company urged the Consumer's Price Index date of the month next succeeding the contract date.

Job titles are usually not material or sufficient evidence to prove or disprove comparability of jobs in the industry or local labor market. Facts showing specific job content, description and operational tasks are minimum requirements for making fair comparisons. Likewise, in asserting or refuting the applicability of an industry "pattern" increase, or the claim of resulting competitive disadvantage, the parties should be prepared to offer facts concerning the nature of the company's business, its products and market.

A "balance sheet" hardly suffices to convince either the union or an arbitrator of a company's "inability to pay." If the claim is asserted, the company should be prepared to disclose its profit-and-loss statements, under safeguards which the arbitrator can provide, to protect the confidential nature of such evidence.

Arbitrating a wage dispute is serious business, for the parties as well as the arbitrator. Each has a responsibility to respect the judicial nature of the proceeding and prevent its abuse. Meeting this responsibility will engender greater confidence of the parties in the arbitration process, and at the same time provide the best safeguard for protecting their interests.

By Jules J. Justin. *The Arbitration Journal,* Winter, 1948, p. 228:4.

Production Management

Our Billion-Dollar Packing Problem

A FEW months ago, a South American merchant ordered $5,000 worth of cameras from the United States. He advertised them widely, and many were sold before their arrival. When they came, one of the three cases was empty, one partially pilfered; only the third was untouched. The reason: improper packing. Result: Pilferers along the route walked off with $3,500 worth of a $5,000 shipment.

Though this direct loss was covered by insurance, the merchant had to pay $1,300 in duties on the lost products and much of the money he had spent on advertising was wasted. More serious, he incurred the ill will of disappointed customers, some of whom believed he had diverted the cameras into the black market. And, of course, the U. S. shipper lost a customer, and another black mark was chalked up against American exporters.

This may seem a small incident, but it is only one of hundreds of thousands of similar cases reported annually. The Seas Insurance Co., Liverpool, England, has estimated that all losses resulting from pilferage, damage because of poor packing, lost ships, etc., in overseas shipments from all ports of the world, are running between $600,000,000 and $1,000,000,000 a year. Pilferage accounts for the greatest portion of the loss, and inadequate packaging is the largest single contributing factor.

In many places pilferage has become an organized business, often involving guards and pier supervision. Thieves in some ports are so cunning that they've learned to extract goods from the centers of packages and seal them up again, leaving no immediate trace of their work. The seriousness of this threat to the American export business cannot be overemphasized, especially as it's generally conceded that Americans are the world's worst export packers. Though our exports are the world's largest, our poor packing amounts to a national deficiency.

Actual losses are enormous. If the Seas Insurance Company's $600,000,000 figure for all overseas shipping losses is accepted (and it must be emphasized that it is almost impossible to reach an exact figure), then it's reasonable to assume that losses involving American imports and exports totaled half this sum, since they account for at least 50 per cent of total world exports.

These are the direct losses. Indirect losss, over the long run, may turn out to be far greater. U. S. industry today is geared to such a productive capacity that a huge export volume must be

maintained to keep our machines running and our men at work. To hold a $15,000,000,000 export market, we must maintain the good will of our foreign customers. That we will not do if our goods consistently arrive damaged—or don't arrive at all.

There are several methods of reducing damage and pilferage losses. Good packaging tops the list. Properly packed, goods as fragile as light bulbs or as "pilferable" as nylons can be sent anywhere safely. Virtually every product must be packed in a different way, but in any case certain points should be considered: (1)—type of goods being packed; (2)—special protection needed; (3)—handling along route; (4)—condition of ports to which goods are consigned.

Ideal containers for export shipping are boxes of well-seasoned wood, at least three-quarters of an inch thick. Good steel strapping is a "must," and stapling at frequent intervals makes things tougher for the thief bold enough to break open a case. Pilfer-proof clips have also been developed. Some merchandise, such as certain textiles, may be baled. Other goods, if the trip is not too long or difficult, may be packed in heavy cardboard cartons, such as the wartime V-boards.

A strong container is not always the answer to all damage, however. Weather and atmospheric conditions at the point of destination must be considered. Shipments to hot, humid countries, like Burma, India, and parts of Latin America, must be protected against dampness, which may cause mildew and other spoilage. In some cases, packages should be lined with waterproof paper, or even metal, to give adequate protection. Sweating of cargoes passing from cold to hot or hot to cold climates is another hazard. Wooden containers are often the answer.

The important thing to remember is that poor packaging invites huge losses. For example, it has been estimated that domestic-type cartons now largely in use for overseas shipments account for 90 per cent of the losses of merchandise packed in them. Recently a large food manufacturer shipped canned goods to South America, packed in light domestic cartons. Out of two $10,000 shipments, he lost $1,000 in one, $3,500 in the other. Heeding his insurance underwriter's advice to use heavier cartons, he packed his cans in V-3 board containers and immediately cut losses to three-hundredths of 1 per cent.

Proper marking of packages is another job on which exporters slip up. Here are some of the "musts":

1. All addresses should be as legible as possible. And avoid extraneous matter. Foreign stevedores are not the most literate people in the world.

2. The brush, so popular in addressing domestic shipments, is out. Stencils, giving large clear letters, at least three to five inches high, are the answer.

3. The ink should be proof against chafing and dampness. Poor or obliterated markings result in non-delivery.

4. Many countries have special regulations. Check on them. Chile, for example, regards brush markings as illegal. Brazil and Salvador impose heavy penalties on packages in the same consignment having duplicate numbers. Others have stringent regulations regarding markings to show "country of origin" or description of the commodity itself.

Contrary to domestic practice, export containers must be regarded as strictly functional. The exporter who uses them as advertising media is asking for pilferage: the pilferer generally knows what he wants, is grateful for such cooperation. Certain markings—such as "Fragile" or "Handle With

Care"—may be necessary, but don't, if you can possibly help it, reveal the contents of the package.

Reports from all parts of the world indicate the following as goods most likely to be pilfered: textiles of all sorts, men's and women's clothing, hosiery, shoes, toilet articles, cigarettes, food (especially canned goods), radios, automobile and refrigerator parts, tires, hardware, glassware, rubber, and other manufactured merchandise for which there is a ready market. Heavy, crated products, such as machinery, are less likely to be stolen, though they too must be protected. Actual piracy still exists in the Far East.

The second big problem, after proper packaging, is to clean up the world's waterfronts. Conditions are indescribably bad. When it comes to lawlessness, our own ports have been dubbed the "Wild West" of the present day. Stevedores, guards, and roundsmen cannot be fingerprinted against their will, though some are ex-convicts. A recent check of a New York pier revealed that *only* three men had pilfered goods in their pockets. This was considered a good record. Larceny on the part of some towboat crews has practically been accepted as a routine social evil.

The Port of New York, through its Security Bureau, is tackling this problem. The Bureau has made pier surveys to reveal good and bad cargo handling practices, and has issued recommendations which, when followed, have improved conditions. It cooperates with federal and local law enforcement agencies and has developed its own sources of information. While not acting in a police capacity, it has been able to lend an effective hand in reducing pilferage.

Equally important, it has encouraged shippers to press their cases. There is generally a distinct reluctance among steamship companies and pier operators to file complaints, without which police cannot act. Their fears: suits for false arrest. By studying the laws covering these situations, the Bureau has found such fears to be largely groundless.

Only by drastic action all along the line, from adequate packing of goods to proper policing through to their destinations, can the American exporter cut his fantastic damage and pilferage losses and hold foreign good will.

By Francis Westbrook, Jr. *Forbes,* January 15, 1949, p. 22:4.

How to Get Union Cooperation on Technological Changes

COMPANIES are continually evolving better techniques for getting union and worker cooperation on changes in operations that tend to increase productivity. Basically these techniques protect the worker against job and earnings loss and sometimes permit him to participate in resulting economies. Here are the details of some of the methods used:

1. *Effect of technological change is discussed with union in advance.* Here the company retains the sole right to make any changes in operations. But it agrees to explain these changes to union representatives before they are made and to point out any effects they may have on the status of earnings of the employees affected. This really

leaves the matter open to bargaining. Here's the contract clause:

> The company shall have the sole right to make such technical and other changes in operations as it deems necessary. However, prior to the installation of any such changes, the company shall explain the contemplated changes to the representatives of the union. In the event that the introduction of any new process or machinery will result in layoffs or changes in earnings or working conditions, these matters shall also be discussed with the union representatives before the changes are made.

Under this clause, the company can put the change into effect, even if it doesn't get the approval of the union. For this reason, some unions insist on an added provision to the effect that the matter can be taken through the grievance procedure if the parties fail to reach an agreement.

2. *Union pledges cooperation on any operational improvements installed by the company.* To get a pledge like this, union-management relations must be very good and union fear of technological unemployment at a low ebb:

> The company has the right to determine job procedure and methods and to put in technological improvements, and the union will cooperate in any work to improve plant operations.

3. *Company guarantees workers against reduced earnings.* This clause does the trick:

> Installation of a new machine or introduction of a new process shall not result in reduced earnings to the employee performing the operation. Until an accepted rate is placed on the job, the operator shall receive his past average earnings.

If the company sets the new rate unilaterally, the union will want to take the matter to arbitration if it doesn't approve. To cover that point, this provision may be added:

> The company shall have the right to determine the job classification and rate of pay for the new operation. In the event the union believes such classification or rate is unfair or inequitable, it may submit the matter to arbitration for final and binding decision.

4. *New or changed rates are established by negotiation.* Frequently, the union won't agree to initial determination of the new rates by the employer. It will want to negotiate before rates are set. Then this clause can be used:

> When new jobs are created or existing ones modified because of the installation of labor-saving devices or the introduction of new processes, the rates for such jobs shall be established by negotiation.

5. *Employer agrees to give severance pay to employees displaced by technological change.* Amount of such pay varies according to company policy, but one week's base pay for each year of service is not unusual. One company indicates its severance pay provisions in these situations as follows:

> . . . To employees displaced by technological changes who have two (2) years or more of service, separation allowance will be paid on the basis of one week's base pay for each year of service.
>
> Separation allowance shall be due and payable to the displaced worker immediately upon his election after separation.
>
> If the employee is qualified for another job, at the same or higher rate of pay, which is open at the time, he shall not be considered a displaced employee. Should he refuse such job, his employment and seniority shall terminate, and he shall not be entitled to separation pay.

6. *Employer agrees to transfer employees displaced from their regular jobs by technological changes.* Transfers ordinarily are according to seniority and, where possible, are made to work of equal earning opportunities. But the employer usually leaves himself an out by stipulating that "bumped" employees or employees who cannot be transferred to other jobs may be laid off. Here's the clause:

> When technological changes are made that reduce the earnings or employment opportunities of any employees, every effort shall be made by the company to transfer displaced employees to work of equal earning opportunities. Any trans-

> fers of displaced employees shall be on a seniority basis, and when no further transfers can be made, the junior employees remaining in surplus shall be laid off according to the usual procedure.

The above clause or a variation of it is particularly acceptable to unions in companies where plant-wide seniority prevails, since it means that only workers having least seniority will be laid off. But in such cases, management should insist that certain key jobs (for example, maintenance) be protected from the "bumping" privilege.

Employee Relations Bulletin, February 10, 1949, p. 7:4.

Marketing Management

The High Cost of (Legal) Living

WE'VE heard a good deal about the high cost of living. And a good deal about the high cost of corporate living. But nary a word about the high cost of *legal* living! Yet American business is paying a gigantic bill—the bigger the business, the bigger the bill—for a timid bureaucracy of its own creation—that holy of holies, that certified and diplomaed department—the *legal department!*

Now, we would be the first to point out that we know of legal departments in industry that are directed and run with extreme competency, and which definitely aid all the selling departments. The following paragraphs obviously are not directed at that type of legal department. Unfortunately, in too many instances, the legal department is industry's SHAEF; the Board of Directors, its catspaw; management, its rubber stamp. "Captain's orders" on a ship carry not a tithe of the awesome finality of "Legal department suggests . . .!"

In those businesses where anti-trust proceedings are not an ever-present threat, that kind of legal department pays homage principally to two terrifying deities: the Federal Trade Commission and the Robinson-Patman Act. And its Bible for winning a benign smile from those two fearsome gods consists of one word: "Don't"!

We wouldn't be wrought up about this situation if it weren't for the fact that the legal department too often stymies all plans designed to win special cooperation from retailing's "400." And that has us yowling!

A mighty smart lawyer once told us that he assumed his clients paid him to advise them "how to" rather than "how *not* to." If all legal departments based their advice to management on that premise, this tirade would never have been written. But in too many corporate legal departments, "play it safe" has become the motto. "Don't get tangled up with the FTC." "Don't run afoul of Robinson-Patman." "Better not." "Wouldn't advise it."

Maybe the legal department *is* judged *exclusively* by its ability to keep the company "out of court." And maybe the easiest way to keep the legal slate clean is to wag a finger solemnly and say: "Don't." But American business has been built on a policy of "Do," not on a policy of "Don't." And if American manufacturers are ever to take the critically important steps dictated by the domination of retailing by

some 400 huge retail organizations, then the legal department must help *clear* the way—not *block* it.

But executives who must work in the shadow of a timid legal department soon find they can't think clearly or courageously on this subject. In back of the heads of the executives constantly is the knowledge that the legal department will say: "Uh, uh. Naughty, naughty. Poppa Robinson-Patman spank." So nothing is done. And some of the consequences in many businesses are that:

1. Salesmen spend as much as 70 per cent of their time calling on accounts that provide only 30 per cent of the volume.

2. From 10 to 30 per cent of the accounts on the books are handled at an actual loss.

3. As much as 70 per cent of the promotional dollar ends up in stores that give barely 30 per cent of the total volume.

4. Smaller manufacturers—perhaps because they cannot afford a legal department!—are in many instances entrenching themselves more firmly with retailing's "400" than are large manufacturers.

5. Merchandising and promotional plans are geared *down* to the policies and capacities of the mythical "average" retailer. But most of retailing's "400" follow formula-ized merchandising and promotional tactics that are completely different from those of Mr. Average Retailer. They can't and won't use "average" merchandising and promotional plans.

6. The larger the business, the greater the degree of control exercised by the legal department.

7. The ever-present legal department "no" leads to a freezing of initiative, imagination, daring. Conversely, it leads to a freezing of the status quo with respect to everything involved in marketing.

The market place that we call "retailing" is changing. Today retailing is big business. It is getting bigger—constantly. Some of our large retailers are larger than 99 per cent of our manufacturers of merchandise made for public consumption.

Manufacturers cannot "stay put" in their marketing tactics in a changing market. Manufacturers, if they are to remain competitive, must revise their programs to conform with the new order in retailing created by those 400 retail giants who control over half of our total retail volume in over-the-counter or packaged lines.

The United States Department of Commerce recognizes that situation. In 1946, the Commerce Department told manufacturers bluntly that they were *paying too high a distributive price* by catering *equally* to *all* retail accounts. That 1946 study cited the case of a meat packer who found that 24 per cent of his salesmen's calls were made on accounts that provided only 2 per cent of total sales! More recently, the Department issued a detailed study entitled *How Manufacturers Reduce Their Distribution Costs,* which contained the following highly revealing sum-up observation:

> In most businesses . . . a large proportion of the number of customers . . . account for only a minor proportion of the sales . . . *marketing efforts and marketing costs all too frequently follow the number of customers* . . . rather than the actual or potential sales dollar.

Now we assume that the Department of Commerce has heard of the FTC and of the Robinson-Patman Act. Yet the Commerce Department is clearly and unequivocally telling American business that it can bring down its cost of distribution *only by making its marketing efforts follow the "actual or*

potential sales dollar." From where we sit, it seems as though business is getting more courageous, lucid, and sound advice from the Commerce Department than from its own legal department!

The Robinson-Patman Act declares that manufacturers must not discriminate among their customers. If a manufacturer can justify—on a statistical cost basis—the reasonableness of a larger discount or special service to large accounts, the law actually declares that he *must* grant such privileges. Actually, there may be reason to conclude that, under Robinson-Patman, many manufacturers are *illegally favoring the small retailer!* That could be an *affirmative* route toward closer cooperation with large retailers rather than the negative route currently pursued by so many legal departments.

Thus the legal department in many businesses is due for an overhauling. It has gradually assumed a position of power in business without top management being quite aware of its usurpation of authority. It has inclined to look exclusively at its legal books. It has tried too mightily to maintain a "clean" record.

The legal department must be better integrated with the entire organization. It must look, at least occasionally, at the *sales* records as well as the legal records. It must understand that there are times when the *price of peace is too high!* A "clean" record, devoid of FTC or court cases, can sometimes be a highly expensive record.

Business is being done, more and more, under legal regulation. That trend will unquestionably accelerate and thus the legal department will grow in potential importance. It will achieve its potentials, however, only if it is organized so as to make a *dynamic* contribution to business, instead of acting as a brake on business. It must use its veto powers more sparingly. It must find the way that permits a "yes" rather than falling back on the easier "no." It must help *open up* the trail that the selling departments of the business know must be taken, as a result of the growing concentration of retail volume in a few hands. In too many organizations, the legal department is so busy "keeping its nose clean" that it is killing off every effort to do more volume, more profitably with the retailing "400." There must be a legal way. It's the legal department's function to *help find that way*—instead of *defying* all other departments to locate the route.

Grey Matter, March, 1949, p. 1:4.

Responsibility for Sales Tools

WHO stands the loss if a salesman loses an expensive sample case, demonstrator, or other piece of selling equipment? Dartnell recently surveyed a number of companies to find out. Presented here are some of the survey findings.

Approximately half the companies reported that the organization pays for replacements if they are needed. In several cases, however, the policy of company payment was qualified by a provision that a man who had been careless would be penalized as a disciplinary measure. Five contributing firms said the salesman's account is charged with all materials supplied him, and he must stand the charge if any of them are lost or destroyed.

Several contributors said that the

materials are sold outright to the salesman to start with, and he becomes as fully responsible for them as for any other personal property. One company's sales manager described such a setup as follows:

> Perhaps we are fortunate in that it is the custom in our line for the salesmen actually to buy their sample cases. These are usable for other purposes, and we handle them more as a favor than an obligation. Naturally, if a man loses his "grip" he is losing his own property and can do as he likes about buying another. We do make a concession in the cost of our products to a salesman in replacement of stolen merchandise. In my opinion, any salesman should stand a part of the cost of lost equipment—usually they are careless.

A couple of firms reported that their salesman buys his samples or demonstrator at cost and has the option of selling or returning the materials after a certain period of time. Here's how the administrative manager of one of these companies described an arrangement of this type:

> We have recently spent a considerable amount of money for high-grade sample cases which we have supplied to our 35 field representatives. In order to account for these and any other valuable company property which the men might have in their possession, such as portable typewriters, our payroll department maintains a record and the salesman is required to return the material upon separation or the original cost is deducted from his final settlement check.
>
> In supplying nonconsumer goods, that is, swatches of piece goods and sample cards which have no salable value as a commodity, we absorb the cost thereof as selling expense. In supplying our salesmen with finished consumer articles, such as blankets or shower curtains, the individual salesman is billed at wholesale cost less one-third. Semi-annual inventories are required, and the salesman is responsible for the invoice price if he does not account for the sample charged.
>
> When samples are obsolete and no longer suitable for use, the salesman has the option of returning the samples to this office for credit or selling them in any way he sees fit, remitting only the invoice price thereof for credit to his account. In some cases, the salesman is able to dispose of the samples at the full wholesale price, and any slight profit derived therefrom may be kept by him.

On the whole, the survey responses seem to indicate that the problem of loss of costly samples by salesmen is a sufficiently minor one in most organizations to permit each such case to be handled on its own individual merits.

Dartnell Sales Service, The Dartnell Corporation, Chicago.

Financial Management

Employee-Stockholder Idea Gaining Acceptance

THE A. W. Burritt Company, a lumber firm in Bridgeport, Conn., established a precedent back in 1893 when it inaugurated what was probably the earliest employee stock ownership plan in the United States. In the years since Burritt first undertook to convert workers into active company owners, business sentiment has blown hot and cold toward this method of cultivating greater employee interest. Stock ownership plans rose to a popularity peak in the speculative twenties, then skidded into prolonged disfavor after the 1929 market crash. Today, however, the enthusiasm cycle appears to be swinging upward once more.

Within the past 12 months at least half a dozen top-bracket corporations, and many less prominent concerns, have launched stock purchasing plans for employees, or rejuvenated programs dormant since the early 'thirties.

At Westinghouse Electric Corporation last year 16,780 employees responded to a company stock-buying proposal and began purchasing some 290,000 shares through payroll deductions. Also in 1948, Dow Chemical Company set aside 105,176 shares for employees; United Air Lines allocated 184,809 shares, and the Jewel Tea Company set aside 5,000 shares. The American Telephone and Telegraph Company, one of the earliest advocates of the stock ownership idea, had some 50,000 employee-stockholders at the end of 1947. Last year, almost five times that number were buying company stock, cut-rate, on the installment plan.

All these stock offerings follow much the same pattern. Employees are usually allowed to buy only a limited number of company shares, the figure being determined by the individual's income level. Installment payments can be arranged through payroll deductions, and the purchase price to employees in almost all instances is somewhat below the prevailing market price.

Jewel Tea Company's offering, for example, allows one share per $5 of weekly compensation, permits payment by cash or through payroll deductions, and provides a $2-per-share discount from the prevailing stock exchange price.

From the viewpoint of industry generally, resumption of employee stock buying—even on a limited scale—has revived a controversy that has divided economists in and out of business for almost two decades. Since the employee-stockholder idea was first advanced some 50-odd years ago, the argument in its favor has changed little. Companies which subscribe to the idea believe that the employee who acquires stock in his own company also acquires a sense of ownership that makes him a more efficient and faithful worker.

It is a hard fact, however, that employee stock buying plans have fallen considerably short of this goal in the past.

It was in the mid-twenties that such plans reached greatest popularity. As market speculation moved toward a dizzy crescendo, stock purchasing began overshadowing all other forms of company-sponsored employee investment. By 1926, over 200 concerns had adopted stock ownership plans.

In hindsight, it is obvious that the

plans of the mid-twenties suffered from singularly poor timing. Established when securities were at or near peak market prices, they encountered serious trouble when the market fell. The 1929 market break brought to an end the majority of stock ownership plans then in existence. In a study of stock programs conducted early in the 'thirties it was found that of 50 plans, 31—or over 60 per cent—had been discontinued or offerings under them had been postponed. One authority estimates that at least three-quarters of all pre-depression stock buying plans are no longer active today.

As a result of this adverse pre-depression experience, opinion is now widely divided between those who hold that stock ownership programs are inherently unsound and those who regard them as a valuable employee relations device when conducted on a conservative basis and with proper regard for market conditions. One of the most outspoken criticisms was voiced editorially in January, 1947, by *Trusts and Estates:*

> It is self-deceptive to think that, because an employee has a few shares of his company's stock, he considers himself a capitalist, or that his interest becomes the same as the investor's. . . . The time when an employee will most need to rely on his savings or capital is the time when he is out of a job. If he has become unemployed because the company has cut its payroll, the same condition will militate against the value of the stock. Thus he will suffer a double loss, and have double disillusionment in the company and in capital generally.

This indictment has not gone unanswered by those who hold that the employee-stockholder idea is meritorious if properly approached. *The New York Times,* for example, remarking recently that there is little resemblance between stock ownership plans of today and those of the pre-depression era, said:

> Employee stock purchase plans of the 'twenties were launched at what turned out to be peak market prices. Those of today are related to market price levels which have persistently refused to join in the spiraling inflation of the postwar period.
>
> Purchases made in a period of market quiet may have more stable consequences. If equity investment is to have a market future commensurate with the validity of its proved economic function, then employees going in for stock ownership today are hardly likely to rue their decision later.

There is no question that those concerns which have revived stock ownership plans are conducting them on a far more conservative basis than generally prevailed in the pre-depression era. Westinghouse, for example, has cautioned its employees that once they have acquired company stock, "they will be in the same position as any other stockholder and must assume all the risks of their investment as do other stockholders." And Jewel Tea, in announcing its stock offering, directed a similar note of caution to employees "to give careful consideration to their financial programs before making an application to purchase stock," adding that since Jewel stock, like any stock, is subject to market variations, employees should buy it "only to a limited percentage of their total savings."

The restraint currently displayed by management with regard to special stock offerings has extended to employees as well. Indications are that most employees who did participate in last year's stock buying programs made distinctly conservative investments. As a result, few if any 1948 employee stock offerings were fully subscribed at the end of the year. This, of course, could be attributed partially to the extensive demands placed against workers' incomes to meet high living costs.

When the broad implications of the employee-stockholder concept are reappraised, it seems reasonable to assume that the worthiness of this second

major experiment has yet to be demonstrated. One authority observed recently that the employee stock ownership idea carries a great challenge to the securities world, adding:

> The securities world must find a way of making contact with the disposable income of vast segments of the working population—income now channeled mostly into consumption by people to whom the primary and secondary markets for securities are a great no-man's-land. To bring investment into effectual conjunction with this disposable income, it is held, would bring three great boons: (1) to the securities industry, a new area for service; (2) to people with newly enlarged incomes, an outlet for prudent investment; and (3) to the economy as a whole, a rational balance between savings, investment, and consumption.

Whether today's stock purchase plans, launched in an era of conservatism on the part of management, employees, and the market itself, point to a means of accomplishing this purpose remains to be seen.

By Lewis A. Riley. *Commerce*, January, 1949, p. 16:6.

Budgeting for Better Management

BUDGETING is one of the principal mechanisms by which: (a) the accountant can render real service to his company, while providing maximum opportunity for himself; (b) the over-all end results of the company can be improved.

It is the purpose of this presentation to describe how Cutter Laboratories, Berkeley, Cal., is budgeting successfully for better management. Cutter has a Sales Budget Committee which consists of: the vice president for sales, who assumes responsibility for selling quantities estimated; the vice president for production and research, who assumes responsibility for producing the products to be sold and for their availability when wanted by sales; and the financial vice president, who coordinates sales and production planning in accordance with financial limitations and desirability. This Committee meets each quarter to establish the sales budget for the following three months and for the three subsequent calendar quarters in order that the company may at all times be projecting its activities one year in advance.

The Committee develops the sales forecast by considering one product at a time in the light of: current inventories, previous sales experience, future demand, seasonal fluctuations, profitability, future product availability.

To further the realization of its estimates, the Committee decides on sales promotional activities, recommends as to advertising emphasis, and considers price revisions. Also to further the company's over-all economic position, it considers the elimination of undesirable or unprofitable products, liquidation of overly large inventories, and frequently approves write-down of values of inventories of products which fail to meet sales expectations.

The estimates of packages to be sold, when completed for a product class, go to the accounting department in order that estimated quantities may be transposed into dollar sales, costs, and gross profits. Soon after package estimates are finished, the Committee is supplied with dollar information on those estimates which enables it to evaluate, and revise if necessary, the dollar forecasts established, in relation to actual dollar

results for similar previous period, and gross profits applicable thereto.

The estimates are then given to the company's IBM Department to be recorded on punched cards. Subsequently, daily reports as to actual dollar sales in relation to budget are published before 4:30 p.m. each day, together with overage or underage data for that day, and similar cumulative data for the month. In addition, monthly reports are published on the first of the following month showing: (1) package and dollar sales budgeted; (2) package and dollar sales, actual; (3) packages budgeted for production; (4) packages actually produced; (5) inventory budgeted for month-end; (6) actual inventory at month-end.

Each month, as soon as this monthly report is available, the Sales Budget Committee holds a meeting in order that a review for the month just ended may be made and necessary corrective steps taken, and that trends may be quickly noted and the need for appropriate sales or production emphasis or de-emphasis determined.

This sales budget then is the key to all our company's financial budgeting. From it we are able to determine the monthly, quarterly, and yearly volume at which we will be operating and the income which will be available to us, that we may in turn establish production cost and other expense levels.

To do a complete sales budget job, production must tie in closely to sales planning. The quantities that are established by the Sales Budget Committee, being immediately transposed into production schedules, enable us to tell at the end of each month not only that sales failed to meet or exceeded their forecast, but that production did a better or a poorer job than should have been done. By meeting each month, the Committee can quickly sense trends as to the need for increasing or curtailing production in order that inventory unbalance may be avoided.

Prior to the first of each year, based on forecasts of sales dollars for the following year, operating expense limits are established. An over-all dollar budget for the year is fixed for administrative expense, and for selling, research, and advertising expenses. These expense limitations are established at a figure which, when deducted from our anticipated gross profit, will provide a net profit that is adequate, after taxes, to pay dividends, provide needed capital equipment, and add the proper amount to our surplus. No changes are made to these budgets unless important variations in sales occur which make such changes necessary or desirable.

In other words, when we know what sales are expected to be and the amount of gross profit those sales should develop, by establishing a budget of profit for the year in line with what we expect from that volume of business, we know, by deduction, the remaining amount that is available for operating expenses. While, for one reason or another, we may not realize the sales that we forecast, to the extent those sales are not realized and the gross profit therefrom is not forthcoming, our current review of sales trends enables us promptly to take the necessary steps to curtail production and operating expenses. This then permits us to maintain a relative profit on the sales we make, and inventories in proportion thereto.

The president of our company uses these principles in a way that illustrates what I am trying to say. At the beginning of each year he asks his top executives to supply him with a one-year and a five-year outline of their planned accomplishments. He asks that these plans not be generalized and that they not be merely a reiteration of day-

to-day responsibilities. He asks also that that they cover specific important goals which, as he puts it, "need lifting above the day-to-day routine," and that they be brief but definite indications of specific goals which the executive realizes need accomplishment.

A deadline is established as to when those plans are to reach the president, and when he receives them he thoroughly discusses the proposed plans with the executive. He either approves or disapproves individual projects and frequently indicates timing as to their completion. In addition, executives are expected to request and approve similar plans from their subordinates, and they from theirs, and so on down the line.

At the end of the year, the executive is expected to give a report to the president as to his accomplishments under the plan. This is what he said he would do; this is what he did.

In other words, the president uses the principles of budgeting in a way that furthers the goals of management. These plans are used as tools by which important activities can be directed along desirable channels, while providing yardsticks by which executive and supervisory performance can be measured.

There is a whole new field, at least it is new to the extent that it is not widely used, in management budgeting to improve profits. That is the field of budgeting profits by items.

You know what it costs to manufacture or to buy a specific product that you sell, and you can choose a reasonable way to allocate your selling and distribution expense in order that that product may bear its proper share. Probably an analytical review of your records will indicate some commonsense means by which you can apportion advertising and administrative costs to each product to require it to carry its fair share of those expenses. To the extent that you can budget in advance what you reasonably can expect to sell, you can also forecast allocation of cost and operating expense and thus forecast the profit that sales of each product should produce for you. When the net profit for a product is known, management is in a position to consider revision of the selling price on that product to provide the kind of profit that is wanted, assuming, of course, that competitive circumstances do not prevent price changes.

By HARRY R. LANGE. *The Controller*, September, 1948, p. 449:4.

Current Trends in Profit-Sharing

ONE of the most significant developments in the profit-sharing movement in recent years is the growth of the deferred-distribution plan. Findings of a study on profit-sharing for workers, lately completed by the Conference Board, indicate that over half (60 per cent) of the 167 plans studied were of this type.

Profit-sharing plans, the Board found, are of two general types: Under the first, the current-distribution type, the profits are paid in cash at regular intervals. Under the second, the deferred-distribution type, the employees' share of the profits is deposited in an irrevocable trust, and the employees or their beneficiaries do not actually receive their share until some time in the future—termination of employment, disability, retirement, or death.

Profit-sharing plans are more prevalent in the small and medium-sized establishments, where the worker may be in a better position to see the connection between his actions and the profitableness of the enterprise.

Employers who have active profit-sharing plans report satisfaction with their operation. Advantages most frequently mentioned are: improvement in employer-employee relations, increased interest in the business, improved efficiency, and lowered turnover.

Though unions have been traditionally opposed to profit-sharing, several plans recently were inaugurated at the request of unions. The Board found few profit-sharing plans incorporated in union agreements (8 per cent), however.

During the past decade, the number of discontinuances of profit-sharing plans has been "fairly low," with 35 out of 202 plans studied—or 17 per cent—being permitted to lapse. This is in marked contrast to the profit-sharing picture of earlier days, as revealed by previous studies by the Board. In 1920 and 1934 surveys, over half the plans studied were found to have been discontinued, while abandonments in the 1937 survey hit a record high of nearly 60 per cent.

Workers Want Financial Reports—But 3 Out of 4 Don't Get Them

WAGE earners would like to receive annual financial reports from their firms, but for the most part they're not getting them. Where the company does supply a report, the wage earner reads it with interest. These are the main facts that emerge from a recent survey of the members of the Wage Earner Forum, sponsored by Macfadden Publications, Inc., in cooperation with the American Economic Foundation.

More specifically, 65.7 per cent of all the workers polled would like to receive an annual report. But 72.6 per cent of all the respondents are not getting one. Those who don't get them don't know why their company does not issue such reports (73.8 per cent), but many are suspicious.

Asked the relationship between dollars of dividends and dollars of wages in their own company, 89.1 per cent of all the wage earners polled replied they had no idea. Even among those who receive reports, 81.4 per cent could not reply—an indication of the kind of reports that are being given employees.

Insurance

Pension Plans Under Broader Social Security

MORE liberal pensions under the Federal Social Security system are now probable. This change is one of the least controversial parts of the Administration's program and has the support of a large segment of the people. Congressional action seems assured, since both major parties promised during the campaign to make sweeping changes in amount of benefits, extent of coverage, and rates of contributions.

Possible amendments include: (1) an increase in benefits by as much as 50 per cent or more; (2) an increase in the annual taxable wage base from \$3,000 to \$4,200, or even \$4,800; (3) an immediate increase in the tax rate on both employer and employee; (4) a reduction in the retirement age for women from 65 to 60 years; and (5) an extension of coverage to such additional groups as farm and domestic workers, employees of non-profit organizations, many government employees, and the self-employed.

Since many private pension plans are more or less correlated with the Social Security system, they will be affected in varying degree if these changes materialize. Thus a sketch of some of the possibilities may help many employers to realize what an amended Social Security Act will mean to their plans.

Many private plans provide that an employee's pension is to be reduced by all or part of the Social Security old-

age allowance at retirement. Employers whose plans contain such a provision contribute toward a "net" retirement allowance. If Social Security benefits are increased, the private plan would have to supply a smaller "net" benefit. Lower contributions will accordingly be required of the employer in the future.

Some pension plans only indirectly link benefits with Social Security. They establish a pension scale which, when added to Social Security benefits, provides allowances the employer considers satisfactory. Under a more liberal Social Security system, these employers would be providing a pension more liberal than they originally intended.

Other plans that would be affected are those which are "integrated" with Social Security. These plans, sometimes termed "excess plans," ignore all or some part of the first $3,000 of annual compensation in determining eligibility and benefits, or else award benefits at a higher rate of compensation over $3,000. To meet with Bureau of Internal Revenue approval, these plans must so limit benefits that no employee will receive a greater retirement income (including Social Security benefits) in proportion to pay than any lower-paid employee, assuming identical periods of service.

A rise in Social Security benefits therefore probably will mean that a pension plan can pay proportionately higher benefits on that part of a participant's compensation over $3,000 and still remain an "integrated" plan.

An increase in the Social Security wage base from $3,000 to $4,200 or $4,800 would affect "integrated" plans in another way. Since a participant would receive a higher combined retirement allowance from public and private sources, benefits under such pension plans might have to be changed.

An increase in the Social Security wage base might also allow a properly "integrated" plan to exclude all employees earning less than $4,200 (or $4,800) per year and still receive Bureau approval.

Over one-fourth of all private pension plans use 60 as the normal retirement age for women. In almost all others, 65 is the normal retirement age, probably because Social Security retirement benefits begin then. If the Social Security retirement age for women should be dropped from 65 to 60, some private plans may follow suit.

At present, employees of many organizations (those exempt under Sections 101 [6] of the Internal Revenue Code) are not covered by Social Security. All they can anticipate are the retirement benefits provided by the organizations that employ them. If these employees should be covered by a widened Social Security Act, their combined retirement allowances will rise. Conceivably, some organizations would be able to reduce the pensions provided by their own plans and still let their employees retire on adequate total allowances from public and private sources.

Central Hanover Pension Bulletin, February, 1949, p. 3:1.

SPRING INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held on Thursday and Friday, May 26 and 27, at the Hotel Statler, New York City.

The Accountant's Job in Insurance Losses

WHEN an insured loss occurs, it is the responsibility of the accountant to assist his client or employer in filing a claim. This paper presents a number of matters of interest to the accountant, relating to the record-keeping duties assumed by the insured under the terms of his policy.

Several clauses in the standard fire policy are of particular significance for our present purpose. The insurance company undertakes to insure to the extent of actual cash value of the property at the time of the loss, subject to the ceiling or limitation of cost to repair or replace with material of like kind and quality. The insured is required, in case of loss, to furnish a complete inventory of the destroyed, damaged, and undamaged property, showing in detail quantities, costs, actual cash value, and amount of loss claimed.

The insured must also render a proof of loss stating the actual cash value of each item and the amount of loss thereto. If requested to do so, he must submit to examinations under oath, held by the insurance company for the purpose of ascertaining the circumstances of the loss, the sound value of the property insured, and the damage suffered. Undoubtedly of major interest to the accountant is the insured's duty under the standard contract to "produce for examination all books of account, bills, invoices, and other vouchers, or certified copies thereof if originals be lost . . . and (to) permit extracts and copies thereof to be made."

As to books and records clauses, mercantile burglary policies are more exacting than the standard fire policy, the former usually containing a provision in substantially the following phraseology:

> . . . The (insurance) company shall not be liable . . . unless books and accounts are kept by the assured and are kept in such manner that the exact amount of the loss can be accurately determined therefrom by the company.

In some southern states, fire policies contain what is known as the "iron safe clause," which requires that the insured have an inventory and a set of books including all purchases, sales, and shipments, both for cash and credit, from the date of the inventory. These records must be kept in a fireproof safe at night and when the premises are not open for business, or in a place not exposed to fire. The clause, sometimes called the "record warranty clause," is almost exclusively applied to stocks of merchandise used in trade or business.

The purpose of these requirements is to permit the insurer to ascertain from the books (with the aid of explanations of the system by those familiar with it), and aside from oral evidence, the amount of goods on hand at time of loss. The policy terms are not complied with, however, where loss can be computed only from memory.

The iron-safe clause in the fire policy is, in turn, more exacting than the books-of-account clause in the mercantile burglary policy in specifying the details of which record must be kept. But rigid construction is not invoked by the courts, no specific system of bookkeeping being required:

> The purpose of the clause is accomplished when the insured keeps his books in such a manner as to constitute a record of business transactions which a person who is of ordinary intelligence, and who is accustomed to accounts, can understand, and from which he can ascertain the amounts and value of the merchandise at the time of the loss.

The courts do not expect that the complex systems found in large enterprises will be adopted by modest ones. Though a well-known system, described as a "register or looseleaf system kept in drawers" has been held not a sufficient keeping of books, a bookkeeping system characterized by the court as "primitive" was sanctioned (Lenzner *v.* National Surety Co. [1924] 209 App. Div. [2d Dept.] 464, 204 N.Y. Supp. 796) the court ruling that:

> The business . . . a small retail business, consisting partly of buying and selling completed garments and partly of buying raw skins and making them up into garments, did not warrant the installation of an elaborate system of accounting . . .

It is not a bar to recovery, it was held in Nebraska, that the records consist in part of a memorandum book listing purchases, with pencil entries of sales or consignments on approval, and returns are handled at times by erasure instead of a new entry. And where the insured is a bailee—for instance, one who receives furs for dressing—it is not expected that he will have such records relating to the merchandise as would a dealer in the merchandise.

Recovery will not be denied where, without fault of the insured, the records have become unavailable, for example, because of theft of the books by the burglars who stole the merchandise, or because of destruction by fire. In a New York case, where all the records of the insured had been destroyed by fire, he was permitted to prove the amount of his loss by employing the inventory figure contained in a Dun & Bradstreet report dated about a year prior to the loss, supplementing it by the testimony of vendors of merchandise as to purchases made by him, and by the testimony of banks as to deposits made.

The tasks confronting the claimant's accountant in loss claim work involving merchandise are: assembling financial information concerning the loss, including inventory figures, from the books of account and related records; preparing the accounting sections of documents to be submitted to the insurance companies; preparing other material for presentation at informal meetings, at examinations under oath, and in court testimony.

In theory, the work of loss-estimating is substantially the same whether performed by the company's accountant or the claimant's. In practice, the insurance company's representative, because of his lesser familiarity with the insured's records, must undertake a more exhaustive examination. This frequently includes checking the information obtained from the books and related records against that obtained from some or all of the following sources: declaration or proposal, inventory of damaged or missing goods, appraiser's estimates, proof of loss, and minutes of the examination under oath. Thus, where the claimant's accountant might accept as correct loss data taken directly from the records, and not improbable or incorrect on their face, the insurer's accountant would make counter-checks of such data and of related comments by the insured against other material submitted. The types of tests and counter-checks undertaken would vary, of course, with the circumstances and with the adequacy of the insured's record-keeping, internal check, and internal auditing.

By Leo Rosenblum. *The Journal of Accountancy,* February, 1949, p. 135:4.

Survey of Books for Executives

The New Men of Power. By C. Wright Mills. Harcourt, Brace & Co., New York, 1948. 323 pages. $3.50.

*Reviewed by Peter F. Drucker**

Nowhere has the rise of the union leader to power and prestige been as rapid or as spectacular as in this country. Where in the industrial countries of western Europe the labor leader was firmly established as a powerful figure by the end of the first World War, his rise in this country was delayed until the middle 30's. But today the leadership of our large unions enjoy much greater power and much greater publicity than their European counterparts. This in part reflects the much greater emphasis on personalities in the American labor unions. Even in Great Britain most of the unions are directed by a bureaucracy that strives to emulate the anonymity of the civil service; the powerful leader such as an Ernest Bevin is the exception rather than the rule. But the great emphasis on the individual union leader in this country also reflects the fact that the American labor leader, by virtue of his independence from formal party ties, plays a much more active and aggressive role in the formulation of national policy than his counterpart in Europe, who is almost always chained to a labor party with its ideological program.

An understanding of these "new men of power," the labor leaders, is therefore of vital importance. It is particularly important for management, which has to live and work with the labor union and the labor leaders in its own business and which has to contend with them on the wider stage of national policy. Who are these labor leaders, what is their rationale, what are the forces that play on them, the pressures to which they are subject, the conventions they have to obey, the yardsticks by which they measure themselves?—every one of these questions is essential to the proper conduct of a business. Unfortunately only very few managements thus far understand how a union operates or what makes a labor leader tick. Actually management on the whole probably knows less about the structure and problems of the labor union than the union leaders know about the structure, problems, and policies of management. This ignorance is in no small part to blame for our troubled labor relations.

As regards the motivations, purposes, and forces that determine a labor leader's behavior in his relation to management, we have fortunately a considerable and growing body of literature—e.g., Selekman's *Labor Relations and Human Relations,* Eli Ginzberg's *The Labor Leader,* and above all E. W. Bakke's study on union-management relations, *Mutual Survival.* But so far we have not had any study of the labor leader as a factor in national policy, and of the motives, purposes, pressures, and beliefs which determine his behavior as a key figure in the domestic as well as in the foreign policy of the United States. It is to this topic that this new book addresses itself.

Mr. Mills, who teaches Sociology at Columbia and heads the Labor Research Division of the University's Bureau of Applied Social Research, has all the equipment to write such a book. His personal understanding of the internal politics, the internal stresses and strains, the dynamic forces operating within a labor union is excellent. The incidental comments and asides scattered through the book are vivid, penetrating, and sensitive.

The research material on the structure of labor leadership in the United States which forms the core of the book is largely new. A good many of the facts, such as those relating to age structure and origin of our union leaders, will probably come as a surprise to most leaders as will the figures showing that the educational level of union leadership is conspicuously higher than that of the population in general. The middle half of the book—from page 50 to page 200—which contains this factual information and Mr. Mills' comments thereon can be warmly recommended even to readers familiar with the literature.

In his main purpose, however, Mr. Mills has unfortunately failed, and failed conspicuously. He does not reach a single one of the goals he has set himself. The book tells us nothing about the labor leader as a political factor. It does not tell us how he behaves or why he behaves as he does. Least of all does it tell us, as the author claims, how the labor leader is likely to behave in the future and why.

There are two main reasons for this failure of so promising a book to attain its goals. In the first place Mr. Mills has fallen victim to his own public-opinion-survey technique. He shows convincingly that the American labor leader, by and large, does not act according to a thought-out, long-

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range ideology but according to the pressures and problems of the moment. He is also convinced that a major change in national affairs such as a new depression or another war is likely to bring about a large-scale turnover in union leadership. Yet he builds a whole skyscraper of conclusions on the answers given to him by labor leaders in 1946 and 1947 to the question whether they are in favor of a Third Party—not even taking into account that these answers were given when "Third Party" in every labor leader's mind stood for only one thing: Henry Wallace. Altogether he bases qualitative conclusions regarding a hypothetical future on grossly quantitative data regarding the past.

But the major weakness of the book is its rigid dogmatism. Mr. Mills' dogmatism is not of a crude party-line type; but this makes it only the more doctrinaire. While uncompromisingly anti-Communist, he is nonetheless a doctrinaire Marxist in his assumptions and in his method, though one saddled with a sociological vocabulary and confused by the stubborn refusal of the facts to fit into his preconceived pattern. Altogether he is only too close to the "disillusioned liberals" of the "little magazines" whom he despises so much. Perhaps it would be more accurate though hardly more flattering to say that Mr. Mills' book reminds the reviewer vividly of the discussions of continental European, especially of German, Social Democrats 25, even 40, years ago.

As a result, the book discusses neither the actual political behavior of the American labor leader nor how he is likely to act in the future but soars off into political speculation which has little if anything to do with American reality or with the problems and dangers of our future.

To sum up: In its central part this book provides a great deal of useful new information, both in its vital statistics of labor leadership and in its comments on the job of the labor leader. But it is certainly not the book about labor leaders as the "new men of power" which it purports to be. That book still has to be written.

MANAGEMENT SURVEY. By F. C. Hooper. Sir Isaac Pitman & Sons, Ltd., London, 1948. 169 pages. (Available at $2.75 from Isaac Pitman & Sons, New York.)

Reviewed by L. Urwick

Elton Mayo in his *Social Problems of an Industrial Civilization*[1] emphasizes William James'[2] distinction between "knowledge of acquaintance," coming from direct experience of fact and situation, and "knowledge about," the product of reflective and abstract thinking. He traces the comparative failure of the social sciences—sociology, psychology, political science—to their inability "to communicate to students a skill that is directly useful in human situations."[3] The student of social science "learns from books, spending endless hours in libraries; he reconsiders ancient formulae, uncontrolled by the steady development of experimental skill; the equivalent of the clinic, or indeed of the laboratory, is still to seek. . . . Those graduates of brilliant achievement, who lead the procession out of the universities, are not well equipped for the task of bringing order into social chaos. Their standard of intellectual achievement is high; their knowledge-of-acquaintance of actual human situations is exceedingly low."[4]

There can be no question in the minds of any "practical" men that Mr. Hooper is writing from "knowledge of acquaintance." During a distinguished career he was, in 1945-46, Director of Business Training at the Ministry of Labour and National Service, engaged in implementing the recommendations of the Newsom Smith Committee and administering the Business Training Schemes which it advocated. Many thousands of British ex-servicemen owe it largely to his efforts that they were given a far better grounding for a career in civil life than Great Britain has ever before provided for those who served her in war. He is now Managing Director of Schweppes, Ltd.

Hooper says in his first chapter: "The British have a natural aptitude for the art of management; they have a profound and well-tested respect for the 'practical man,' and a distrust for what seems overlogical or smacking of theory. Moreover, so many men in Britain now at the very summit of management, with a long record of success behind them, have risen there virtually without management training in any scientific sense, that as a result the case for the latter has not been very obvious to ordinary people."[5] He never allows himself to forget this. Starting with a simple definition—"by management, within the context of this book, we mean management as distinct from the framing of policy; that is, the complex of operations which, in a business, extends from immediately below the Directors when acting corporately as a Board, down to and including the lower supervisory levels"[6]—he retains the same simplicity throughout. There is nothing in this short and well-printed volume which the man who has never put his nose inside a management book before need fear. The fact that the

[1] Elton Mayo, *The Social Problems of an Industrial Civilization*, Harvard University Press, Boston, 1945, p. 16.

[2] William James, *The Principles of Psychology*, Macmillan, London, 1890, V. I., p. 221.

[3] Elton Mayo, *op. cit.*, p. 20.

[4] Ibid., p. 21.

[5] Hooper, p. 3.

[6] Hooper, p. 1.

publishers have included it in a series entitled "Higher Studies in Commerce" is immaterial. It is a book about management by a practical manager for practical managers. This is obviously the idea with which it was written. And this idea it fulfills consistently and readably.

Lest this statement lead those well acquainted with the subject to imagine it is a kind of "management without tears" for elementary study, let me hasten to add that it is an adult book to which the most advanced student can turn with profit. Nor has the author, though this is his first full-length work about management, fallen into the error of imagining that his own experience provides an adequate basis for generalization. "Practical" men will not find here prescriptions based on incomplete accounts of individual cases which they may attempt to apply to their own totally different social situations with disappointing, if not disastrous, results. Mr. Hooper has avoided these short-cuts to easy popularity. For all its simplicity, his book is a dignified and serious work, which discusses the problems of management as problems, not as disconnected personal reminiscences.

Nor will the "practical men" always agree with Hooper's conclusions. Some of them may read with a distinct sense of shock: "In the last six years we have seen a sociological change which may make even the technical possibilities of atomic energy seem relatively small, at least as far as the problems raised in terms of management are concerned. We have seen the scales of power veer over from managements to men. . . . The full results are still largely masked by the momentum of the old situation, the force of old habits, loyalties, and modes of thought. But the changes cannot long remain masked by stabilities derived from a vanished situation." [7] The present reviewer concurs entirely. But there are many managers, still with their heads buried in the sands of the past, who are incapable of imagining the organization of industry except as a conflict between two "sides."

Much of the book's clarity is due to the skill with which it is planned. A short introductory chapter emphasizes the distinction between the science of management and management as an art which makes use of the science. This is followed by a longer chapter describing in plain terms "what scientific management is about"—in other words, "making effort more effective. . . . In short, the ultimate aim of modern management is to develop its people to the point at which it can devolve as much self-government upon them as possible, while remaining in the background, as it were unseen, yet always there when asked for." A shorter chapter discusses "management as an art." The author than deals with the climate of and incentives to work. All this material clears the way for two concluding chapters on "What Makes a Man a Manager?" and "Business as a Career."

This book carries one clear lesson, that *the* problem facing our society is so to order its affairs as to secure an adequate supply of future leaders capable of handling the large-scale and complex organizations characteristic of our time. And it lists as the major qualifications required in a leader: ability to speak, express himself, and generally to handle his side of the interview; possession of incentive or stimulus; acceptability to others; influence or dominance. This is a matter which cannot be left to chance. Only deliberate planning and intensive education and training will insure that this need is met.

[7] Hooper, p. 8.

JUGGERNAUT—AMERICAN LABOR IN ACTION. By Wellington Roe. J. B. Lippincott Company, Philadelphia, 1948. 375 pages. $4.00.

*Reviewed by Wade E. Shurtleff**

Here is a book to delight and confirm the suspicions of the most rabid Peglerian labor students. The story of despotism in the labor movement is recounted and substantiated with numerous incidents. Singled out for particular attention are Dan Tobin, William Hutcheson, John L. Lewis, James Caesar Petrillo, William Green, Mathew Woll, John P. Frey, David Dubinsky, and A. F. Whitney, the author's former boss.

Wellington Roe believes that AFL's arteries began to harden before the first world war. In fact, if Samuel Gompers were to wander into one of the swanky AFL Executive Council meetings in Miami, he would feel as much at home as he did prior to his death in 1924: the same old mossbacks and ideas. If not senility, the leadership of the craft unions is typified by unimaginative, conservative thinking which has been a millstone around the necks of their subjects. These little men running big unions the author cites as being vain, power-hungry, autocratic overlords, who manage their unions on a feudalistic basis, thus subjecting the members to industrial serfdom. Roe discusses the self-perpetuating bureaucracies which have been built up by some union monarchs intent upon maintaining their dictatorial hold.

Nor is the author content merely to point out the inadequacies of the leadership of many unions, but cites the near-criminal nature of a number of their practices. Corruption, racketeering, and treachery on the part of union officials are not too uncommon, *Juggernaut* would have us believe.

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Roe expresses great faith in the role unionism can play in buttressing American democracy. Many of the present leaders, however, he finds to be men who have lost sympathy and touch with the rank and file, who have taken away their members' civil liberties, and would take away democracy in the name of democracy. Few labor leaders will find comfort or solace in this book.

The CIO comes in for sparse attention. These newer unions represent a break away from the stagnating influences of Green and associates. But even here the author is pessimistic. He finds the newer unions slowly marching toward regimentation and predicts that "the present rate of consolidation of power in the hands of a self-renewing hierarchy will in another decade probably bring about a control of its apparatus identical with that which has been fastened upon the AFL."

It is unfortunate that the author did not, or could not, relate the quality of leadership within craft unions to the conditions which nurtured and made possible the autocracy of which he complains. *Juggernaut* gives us the symptoms of the malady and overlooks its causes—unless the author attributes the causes solely to poor leadership.

Furthermore, scant discussion is devoted to the means by which the author would alleviate labor's plight. One could hope for more positive solutions to the problem of "democracy versus oligarchy" in the labor movement. His answer lies solely in more statism—legislative action to control unions and insure their democratic structure and practices. Chief proposal made is the creation of a labor court to which the card-carrying member could go for protection and redress against his union oppressors. It is doubtful if too many union sympathizers or management representatives will concur in his legal nostrums.

Wellington Roe is presently Chairman-President of an independent union of railway workers which he was instrumental in organizing after having a run-in with his former boss, A. F. Whitney, head of the Brotherhood of Railroad Trainmen. His book is no great contribution to an understanding of labor.

CHARTING THE COURSE OF YOUR BUSINESS. By Charles F. Roos. (Book 6, Section 1, of *Reading Course in Executive Technique*, edited by Carl Heyel.) Funk & Wagnalls Company, New York, 1948. 94 pages. $1.00.

*Reviewed by Marcus Nadler**

In these days of economic and political uncertainties, management men are concerned perhaps more than ever before with the techniques and the forecasting of business. So long as the sellers' market lasted, the principal problem confronting the American business man was that of finding the necessary sources of supply. Now, for the first time in several years, he finds himself again in the midst of a buyers' market, and he must therefore chart his company's course more carefully than has been the case since 1941.

In view of these circumstances, Mr. Roos' new book is the answer to the business man's prayer. It is a timely discussion on charting a business and its setting and on the problems of scientific forecasting. It affords even the average business man, with little time at his disposal, the opportunity of setting up for himself certain series of charts and figures which he can readily follow and which can give him at least an indication of where he is going. This is certainly better than groping in the dark. It is a book which warrants reading by executives of large companies as well as by small entrepreneurs.

The text is written in simple language and, with the exception of some of the mathematical formulae on pages 51-54 (which may prove somewhat complicated for the average business man), in a fashion which anybody can readily follow. Not only will the business man profit from careful examination of this study, but many economists who are professionally engaged in analyzing and charting the course of business should also derive great benefit from it.

*New York University.

PUBLIC RELATIONS IN MANAGEMENT. By J. Handly Wright and Byron H. Christian. McGraw-Hill Book Company, Inc., New York, 1949. 229 pages. $3.25.

*Reviewed by Milton Fairman**

Public relations is easy to grasp as a concept, yet difficult to define. Obscuring its practice and its promise are the generalities of convention speakers and the homely formulas of its popularizers. Consequently, many conscientious executives are still groping for an understanding of it that can be applied to the discharge of management responsibilities.

For such men as these—and for students in the mushrooming classes on the subject—J. Handly Wright and Byron H. Christian have written a lucid, practical introduction to public relations. Their book is not a short-cut to the practice of a difficult craft and is obviously not intended to transform operating executives into seasoned practitioners in its 18 easy chapters. But it does light the road to a workable understanding of over-all

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public relations: What it is, how it works, why it is good and—most important—how it embraces management and business policy in its functions.

Fortunately, the authors have tackled their project in forthright fashion. There is a welcome absence of the abstractions which frequently alienate business readers of books on this subject. The basic principles are set forth crisply and sensibly. Public relations operations are sketched in just enough detail. Both theory and practice are illustrated with sound, specific examples, mostly drawn from the field of business.

Highlighted by the contents of the book is the authors' own apt definition: "Modern public relations is a *planned program* of *policies* and *conduct* that will build *public confidence* and increase *public understanding*."

Public Relations in Management is excellent fare for all executives functioning on the policy level. Moreover, it should be recommended to all managerial employees whose duties bring them in contact with the public or associate them with public relations operations. Finally, it should especially interest top executives because it gives them an intelligent basis for appraising the public relations performance of their own organizations.

Even the veteran practitioner—who shies away from general books on public relations because he's left his abc's far behind—will find this worth his time. Its over-all approach serves as a refresher course, and he can study with profit the case histories and the pithy quotations from leaders in the public relations field.

BEYOND COLLECTIVE BARGAINING. By Alexander R. Heron. Stanford University Press, Stanford University, Calif., 1948. 214 pages. $2.75.

*Reviewed by Frederick H. Harbison**

Among the most significant and enlightening writings in the field of industrial relations are those books in which employers or labor leaders set forth a clear philosophy of the role of management and unions in our society. In this category is Alexander Heron's new work, *Beyond Collective Bargaining*. In this short volume the reader will find a "theme with variations" which, though neither new nor startling, is clearly and forcefully developed by a company executive whose impressive record of achievement in this field is well known.

Starting with the premise that collective bargaining is a necessary part of management-employee relations in most companies, Heron makes the point that "any subject which an employer honestly believes cannot be dealt with practically in the process of collective bargaining should be dealt with practically outside of the scope of collective bargaining." The subjects which lie *within* the scope of collective bargaining are issues such as wages, hours, working conditions, grievance machinery, seniority rules, and the like. But outside the scope of collective bargaining lie such basic questions as selection and placement of employees, training and development of individuals in the organization, safety, management-employee communication and information-sharing, building of employee morale, community relations, and a host of other areas where management-employee cooperation is necessary for "the good of the order." A really foresighted management, in Heron's view, will place more and more emphasis on this waste territory beyond collective bargaining, where positive progress can and must be made.

Up to this point the author merely spells out the difference between what many employers call "labor relations" and the broader aspects of personnel and industrial relations. The important contribution of Heron's thinking, however, is that the employer should work closely with the representative of his employees—i.e., the union—in most of these basic areas which lie beyond collective bargaining. In short, Heron believes that these areas lie within the appropriate boundaries of management-union relations even if they are not appropriate bargaining issues. For example, he would be willing to work with unions on many matters which other employers are seeking to exclude entirely from discussion. He would enlist their support in getting information of all kinds across to employees, in improving safety practices, in product improvement, and even in developing good selection and training methods. In brief, he advocates "cooperative planning" with unions in working for "the good of the order"—in other words a positive approach to mutual problems as distinct from the negative emphasis of collective bargaining and the legalism of government-imposed regulations and standards. To this end, he feels that management should abandon its defensive position of trying to confine relations with unions within a predetermined scope of collective bargaining; recognize the compulsion to agree with organized employees on matters which are on the borderline of wages and working conditions; and then go further in satisfying employees on all problems of mutual interest so that government will not have to extend the area of compulsion.

The Heron approach is sound for a company: (1) which has completely and wholeheartedly accepted unions; and (2) where, as a result, the union is interested in helping solve some of management's problems in the area beyond collective bargaining. Unfortunately, only a few companies in America fall into this category at the present time.

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Engaging in a bit of wishful thinking, the author states on page 78: "Union officials must learn to set aside the political interests of the union, the building of a record of achievements based on bargaining power, in favor of benefits for workers which can be more effectively arranged without a clause in the contract, without a victory in the process of collective bargaining." This statement impels the reviewer to make a suggestion—namely, that someone in the ranks of organized labor ought to write a companion book outlining what labor expects of management beyond collective bargaining. That would make interesting and stimulating reading, too, particularly if it involved a discussion of getting employers to work with unions on labor legislation, social security, civil rights, and other things in which workers may be interested. A good many labor leaders would agree that collective bargaining cannot solve many problems, but they might want to go a long way beyond Mr. Heron in the areas beyond collective bargaining.

We are indebted to the author for opening up some very fruitful fields for careful thinking.

PARTNERS IN PRODUCTION: *A Basis for Labor-Management Understanding.* By The Labor Committee of the Twentieth Century Fund. The Twentieth Century Fund, New York, 1949. 149 pages. $1.50.

*Reviewed by Nathan Belfer**

This study is a significant landmark in the history of industrial relations in the United States. The Labor Committee of the Twentieth Century Fund is a multi-partisan group consisting of distinguished industrialists, labor leaders, economists and publishers.

The Labor Committee points out clearly and unequivocally that trade unions play a vital role in our economy. Management should recognize that a worker does not become disloyal to the company when he joins a union. An unstable economy with its strains and crises inevitably produces deep-seated insecurity in the individual. The union gives to the worker a feeling of security and belonging which is otherwise lacking in our fragmentized economy. In the past, insecurity has led to misunderstanding and hostility between labor and management. The Committee feels that this mutual antagonism can and must be converted into mutual understanding. The economic waste due to strikes, lockouts, and production slowdowns can be eliminated. Both profits and wages can then be increased. The experience in joint union-management cooperation at the Lever Brothers' Toronto plant indicates how cooperation will work to the benefit of all.

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The Labor Committee believes that to achieve mutual understanding both labor and management will have to make concessions. They feel that management should invite labor to participate in programs to assure the success of the enterprise. Union leaders, the report asserts, are in many cases still too close to battles for recognition to feel cooperative. They will have to overcome their mistrust and become more aware of management's problems. The Committee concludes its report with two specific recommendations:

1. "That in all plants in which there is union representation management and organized labor assume responsibility for the integration of the union into the plant organization as an effective channel of two-way communication from managers to workers and from workers to managers."

2. "That the leaders of American industry and labor now jointly direct their attention, through the processes of intelligent self-government, to an agreed statement of economic principles which will afford a basis for a constructive advance in understanding the wage-price-profit relationship in a democratic system of competitive private enterprise."

All students of industrial relations are in sympathy with proposals to reduce industrial strife. There can thus be no disagreement with the Labor Committee's general findings and conclusions. The perplexing problem of how to enlist the support of labor and management for mutual understanding is, however, not satisfactorily solved in this report. Experience has shown that appeals to men's good will and sense of justice are unfortunately not always sufficient to elicit real cooperation.

This reviewer also wonders whether there has not been a misdirection of emphasis in all proposals for achieving industrial peace. Such policies as the closed shop, strict seniority rules, make-work rules, and resistance to technical improvements are designed to protect the jobs and incomes of union members. Management, on the other hand, opposes many of these practices for fear that they may result in cost increases and profit reductions. What would happen, however, if an economic situation could be created in which both labor and management were economically secure? It is possible that if workers were sure of their jobs and of protection in the event of technical displacement, accident, sickness, or death and, at the same time, management enjoyed a reasonable certainty of adequate profits, today's industrial conflicts would vanish. Perhaps the key to industrial peace is to be found in discovering the means of achieving and maintaining high levels of production and employment and eliminating the insecurities caused by erratic business-cycle fluctuations.

GOVERNMENT REGULATION OF INDUSTRIAL RELATIONS. By George W. Taylor. Prentice-Hall, Inc., New York, 1948. 372 pages. $5.35.

*Reviewed by Ben F. McClancy**

George W. Taylor has written a book that goes far beyond the indication of its title. True, he reviews, and carefully, the role of government in the industrial relations field. But, in addition, he outlines his own philosophy in his discussion of the future of collective bargaining in this country. Mr. Taylor is eminently qualified to write on this subject. As Chairman of the War Labor Board he played a major role in the development of the history that he has now recorded. Hence his book is doubly valuable as reference material.

This is his thesis: Collective bargaining in its true sense means the complete freedom of labor and management to negotiate an agreement. He holds that this is the key to a peaceful industrial future. Unless the government stays out of the picture, he warns, and unless business and unions gain a better understanding of the fundamentals inherent in their proper relationship, eventually all working conditions will be a matter of direction from Washington, rather than of contracts signed by the parties concerned.

Increasing government intervention in labor relations, says Mr. Taylor, is due to the pressure of the public, labor, and management. A strictly "hands off" policy for the government has not been possible because someone is always looking for assistance. This trend, if it continues, will lead to the elimination of collective bargaining, he thinks.

Equally strong is his belief that neither a company nor a union should try to impose its demands unilaterally on the other. Genuine collective bargaining is the only system yet devised to avert the three other methods of handling labor relations—union dictatorship, management dictatorship, and government dictatorship—all of which are inimical to the democratic process.

Everything considered, the volume is an excellent history of labor relations in the United States from 1935 to the present time. Emphasis is laid upon three phases of labor history in the last 14 years, and they are dealt with in separate chapters under the following headings: (1) The Scope, Purposes and Results of the Wagner Act; (2) The Wartime Government Controls; (3) The Postwar Period and the Taft-Hartley Act.

Mr. Taylor's ideas on the approach to collective bargaining merit careful thought. Of particular interest is his plan for pre-bargaining conferences to ascertain the facts, to be held before the demands are even formulated. "Men cannot disagree about a fact—they can only be ignorant of it," he points out. If doubt is dispelled at the very beginning, a suitable atmosphere will be established for genuine collective bargaining. He deplores the management tactic of taking an extreme position publicly in advance of negotiations, as he does the union method of taking an advance strike vote and thus indicating that the union expects to accomplish nothing by its contract talks.

Of this he says: "Tactics of negation have widely tended to restrict the possibilities of arriving at an agreement. They are too frequently conflict tactics, whether deliberately so conceived or inadvertently followed. Preliminary moves seem to be made frequently as a mobilization of strength to stop production. As extreme positions are assumed and reiterated, and as face-saving factors loom ever greater, negotiations sometimes head like a Greek Tragedy to disaster."

While no fair-minded person can quarrel with Mr. Taylor's concept of genuine collective bargaining, it might be observed that his philosophy runs counter to that of many of the younger and rising labor leaders, particularly of the CIO. These men are realizing what labor in Europe understood at the turn of the century—that the way to power is through control of the government, not at the bargaining table. Their efforts are being exerted in this direction, and thus fundamentally they are opposed to the beliefs of Mr. Taylor, and insist on the political solidarity of labor. As a result of the drift of much of our population to the city and the consequent increase of mass thinking, they have considerable public support for their views. The democratic process has small chance of success in the clash of pressure groups who seek to influence the administration for the fulfillment of their own desires, regardless of the rights of others. Therefore unless Mr. Taylor, or someone else, can come up with an idea on how to reverse the trend, his prediction that true collective bargaining will eventually be eliminated is likely to prove appallingly accurate.

All in all, the book is well worth the time required for reading, and it is a "must" for those who work in the industrial relations field. Mr. Taylor combines those rare qualities of being an authority on his subject and having the ability to set forth his ideas in clear, strong-minded prose.

* Secretary and General Manager, The Associated Industries, Cleveland.

TRAINING EMPLOYEES AND MANAGERS. By Earl G. Planty, William S. McCord, and Carlos A. Efferson. The Ronald Press Co., New York, 1948. 278 pages. $5.00.

*Reviewed by Martin S. Firth**

It is always interesting to speculate what will happen when three men with varying

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backgrounds, from three different organizations and three different types of organizational positions, combine their experience to give a picture of an industrial function. Dr. Planty, Mr. McCord, and Dr. Efferson, from their positions as Executive Counselor in Johnson & Johnson, Director of Industrial Relations in Personal Products Corporation, and Staff Training Director in the Chicopee Manufacturing Corporation, have successfully integrated their viewpoints to make available a comprehensive picture of industrial training.

Early in the volume they define their purpose as "demonstrating that the goals of teamwork and production in business and industry can be best achieved by a training program designed to improve both the skills and attitudes of employees and of managers." They accomplish this through a threefold approach: First, they discuss the broad concepts in regard to training developed in recent years; following this, they deal with the administration and organization of training; and the last part of the book is devoted to training programs and methods.

Throughout, the authors picture training as "the continuous, systematic development among all levels of employees of that knowledge and those skills and attitudes which contribute to their welfare and that of the company." With this as their underlying theme, they place constant emphasis on the values of developing a total program that will contribute to the growth of the organization in all phases of its work. Because of this stress on a comprehensive program that touches all points in the organization, the book will be of particular interest to training directors as they project the personnel development activities of their own organizations against the authors' screen of thought.

In achieving their major purpose, the authors have brought together in one volume several essentials to effective training that have been time-tested by the experience of many people in numerous organizations. This is a book that will prove helpful both to the beginner as a means of familiarizing himself with the industrial training field as a whole and to the veteran as a continuously useful source of ideas for industrial personnel development programs.

PERSONNEL MANAGEMENT FOR SUPERVISORS. By Claude Edward Thompson. Prentice-Hall, Inc., New York, 1948. 192 pages. $3.95.

*Reviewed by Robert D. Gray**

There may be need for another book to help foremen and other supervisors in the performance of their personnel or industrial relations functions. Several good texts, including, but not limited to, Spriegel and Schulz's ***Elements of Supervision*** and Kress' ***Foremanship Fundamentals,*** have been available for several years. If there was a need for another book, however, the need still remains.

This latest attempt to help the supervisor misses the target by a wide margin. Many of the chapters appear to be written for a specialist in the personnel department rather than for a member of the line organization. Though the chapter on "Selection and Placement of Personnel," for illustration, contains a brief section on the foreman's personnel job, the major discussion is on the purposes of the employment interview, qualifications of good interviewers, personal characteristics of good interviewers, information the interviewer must have, preparing for the interview, conducting the interview, and post-interview procedures. The chapter on "Job Evaluation and Wage Payment Plans" devotes 18 lines to the foreman's responsibility in job evaluation and then goes into a rather detailed discussion of several different plans of job evaluation and incentive systems. The chapter closes with a short discussion of foreman responsibilities under incentive plans. Though both job evaluation and incentive plans are treated in the same chapter, there is no attempt to show how job evaluation and incentives must be integrated with each other. The casual reader might even get the impression that the choice is between job evaluation and incentives.

Likewise the chapter on "Rating Employees" discusses details which are important to a staff assistant charged with the responsibility of revising a rating system, but it does not offer much help to the supervisor.

In the preface, the author says that "the human problems are emphasized" in the text, and his first chapter is entitled "The Human Element in Industry." He wanders far afield in this chapter, however, taking time to discuss the industrial organism of earlier days, division of labor and specialization, machine skill and worker skill, and even the rise and dominance of labor organizations. This includes some unusual statements, such as "the Knights of Labor was the first example of a union founded on industrial, as contrasted with craft, lines." No point is made of the fact that the Knights of Labor included representatives from many industries rather than just one.

In discussing the CIO, the author refers to the fact that "Activities beginning in 1936 culminated in the present powerful . . . S.W.O.C. (Steel Workers Organizing Committee)." No mention is made that the S.W.O.C. became the United Steelworkers of America in 1942.

The best sections of the book are those which present in condensed form the well-

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known J.I.T., J.M.T., and J.R.T. programs. It is unfortunate that the book presents Section 7a of the National Industrial Recovery Act together with various provisions of the Wagner Act in the first chapter, "The Human Element in Industry," and then devotes most of the last chapter to Taft-Hartley. In a strange choice of material, the author presents a few sections of the Walsh-Healy (*sic*) Act, but only mentions the name with no details of the Wage and Hour Act.

The chapter on "The Organization," which outlines several of the generally accepted principles of organization, is marred by an undertone of dissatisfaction with the place of the staff department: "There are possible disadvantages to the line-and-staff organization. The staff officer lacks authority in his dealings with line department heads: he is advisory only." Later the author says: "Even if a staff department does succeed in gathering authority to issue orders, the responsibility for results remains in the line."

By its shortcomings, this book points the way toward what is needed to help supervisors perform their personnel functions. Such a book should stress fundamental principles, policies, and philosophies. It should be illustrated with some sample case material. It should be free from material on labor legislation, which is subject to change. Any competent training director can find current material giving the existing laws and interpretations which may be used to supplement the basic principles. Such a book should also stress the fundamental principles and advantages of such techniques as rating employees, job evaluation, and wage incentives. The training director can then be free to use the specific plans in operation in his company and will not be handicapped by having to explain a system which may have been criticized in the text.

MANAGEMENT-UNION ARBITRATION. By Maxwell Copelof. Harper & Brothers, New York, 1948. 345 pages. $5.00.

*Reviewed by Harold W. Davey**

Management-Union Arbitration provides a comprehensive selection of actual arbitration cases in a variety of industries. Mr. Copelof has amply illustrated most of the key issues normally presented for arbitration today. The book is also spiced with a few bizarre cases from the author's rich experience in the field.

The case summaries are clear and concise. They are grouped under the following headings: (1) direction of the working force, (2) union rights and prerogatives, (3) discharge and other disciplinary problems, (4) wage disputes under existing contract, (5) incentive pay disputes, (6) contract disputes over "fringe issues," (7) disputes not controlled by contract clauses, and (8) arbitration of new contract clauses.

In a brief introductory section, Mr. Copelof takes up such matters as temporary versus permanent arbitrators, types of arbitrable disputes, selection of arbitrators, and preparation of cases. A concluding chapter takes up situations where mediation may be preferable to straight arbitration.

The case summaries are presented in narrative form to improve readability. Occasionally, readability is achieved at the expense of full understanding because of the brevity of the summary and the absence of analytical comment. One of the chief defects of this handbook is the virtual absence of any analytical discussion of the nature and scope of arbitration. For example, though Mr. Copelof is clearly aware that arbitration is not too satisfactory a medium for final resolution of disputes over new contract provisions, he makes no effort to consider carefully ways of minimizing the inherent disadvantages of arbitration in such cases. The book would have benefited greatly from inclusion of some comparative materials. The only cases reported are those of the author. Virtually no use is made of the growing body of literature on the arbitration process. The case summaries are presented with frustrating anonymity. An appendix, however, contains the names of companies and unions involved in the cases reported.

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HANDBOOK OF PERSONNEL MANAGEMENT. By George D. Halsey. Harper & Brothers, New York, 1947. 402 pages. $6.00.

*Reviewed by Phillips Bradley**

Mr. Halsey, already well known as an authority in the personnel field, has given us in his *Handbook* perhaps the best available one-volume guide to the subject. The unique quality of this compact study lies in its remarkable integration of sound philosophy and effective practice.

Every chapter illustrates the point. Mr. Halsey opens with his major gambit: Objectives and Guiding Principles of Sound Personnel Management. The 10 principles he suggests and illustrates all relate to the responses of people to their job environment. On this approach, the author builds his entire analysis of practice—to the objective of greater productivity. Thus he develops an attitude toward sound personnel practices (sound in human-relations terms) through an implicit rather than an explicit logic. Sound practices flow inevitably from the

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objective itself, not from eleemosynary or sentimental concerns on the part of management.

Every important technique in personnel administration is discussed; in addition, there are several specific and useful chapters on labor relations in the union and non-union environment. What makes Mr. Halsey's descriptions and analyses of the various techniques so valuable is their homely practicality. He notes several whys for the utility of each technique and then illustrates its application to various types of organization and situation by concrete examples. The volume is replete with actual examples and forms of real suggestive value—culled from many sources and sifted out for their working superiority. From this viewpoint alone, the *Handbook* is the best operating manual available today to the novice or the experienced personnel manager. For either, or for the line supervisor interested in knowing more of both the why and the how of personnel operations in his plant or office, Mr. Halsey has produced a "must" book. It is a distinct contribution to, indeed a benchmark for, the professional status of personnel management.

PROCUREMENT: PRINCIPLES AND CASES. By Howard T. Lewis. Richard D. Irwin, Inc., Chicago, 1948. 745 pages. $6.00.

*Reviewed by Arthur G. Pearson**

Here is an excellent text for purchasing agents and others interested in purchasing techniques which should stimulate improved performance of the procurement function. It is a volume that is certain to live up to the expectations of those who have awaited it.

To quote from the preface:

> This work makes no particular attempt to justify or to defend the status of the procurement function. Whatever may have been the case at an earlier time, the day has passed when either of these things is necessary, save perhaps for one unfamiliar with enlightened business practice. The book does undertake to reexamine the nature of the function in some detail and to elaborate upon the implications of its acceptance as a major activity. In attempting to make such an analysis, the author recognizes that the concept is the result of the thinking of many men, not that of one man, and he has given credit to them directly throughout the discussion whenever possible.

The author gets to the heart of things and presents his material logically and concisely. The absence of wordiness will be welcomed by students and non-students alike. More than 40 practical case studies, classified under each important procurement function, supplement and illustrate the text.

It is characteristic of H. T. Lewis' style that he seldom states a conclusion but rather, as indicated in the quotation from the preface, encourages the reader to do his own thinking and arrive at his own conclusions. The inclusion of the case study material is pointed in this direction. As a proper basis for the reader's thinking, all phases of the subject are presented. This gives the student or professional man an insight into the complexity of the purchasing field in addition to broadening his knowledge on the subject.

Those who liked Mr. Lewis' previous books will be more than pleased with the present one. It reveals improvement in his writing style and evidences his faculty for telling much in few words. It presents material from the management viewpoint that will serve as a useful guide for executives in evaluating the performance of their own purchasing departments.

Chapter 1, "Survey of the Field," is particularly well executed and could well be published as a separate pamphlet for those desiring a quick view of the purchasing field. The section on quality control offers an excellent treatment of a complex subject. Quantity control is discussed under the heading "Inventory Control." The subject of "Disposition of Waste Material" occupies a separate chapter. "The Assurance of Supply" features a chart presenting the basic buyer-seller relationship which will give the purchasing agent food for thought concerning himself and his methods of operating; moreover, the material in this chapter is supplemented by "Some Problems in Source Selection." The purchase of major equipment is discussed in two chapters—one devoted to new equipment, the other to used and leased equipment.

The chapter on appraisal of the purchasing department is a thought-provoking one that should help purchasing agents understand their work better and enable students to obtain a clearer insight into actual purchasing problems.

The section on management reports is good but might have been expanded. The author's definition of the purchasing agent aptly describes what a purchasing agent does. A more concrete and concise definition, however, such as one describing him as a "specialist in vendor relations," would have enhanced the student's appreciation of the purchasing agent's basic function.

Well-chosen illustrations and charts heighten the reader's understanding of the material; however, an index to these charts, which would have facilitated reference, is missing.

But these criticisms are minor in view of the over-all excellence of this work. Reasons for doing certain things are explained so that they answer the reader's unasked "Why?" In addition, the contents are so organized and presented as to prevent the

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book from becoming dated, as was Lewis' previous book on purchasing.

For teachers in the field of purchasing there is available with this text a teacher's manual in two sections. The first section features material on how to teach purchasing; the second offers aids for conducting discussions of the case studies, plus helpful suggestions on the use of films in connection with a course in purchasing.

Professor Lewis has made a worthwhile contribution to the literature of purchasing, which will be welcomed by instructors, students, and professional purchasing people alike.

JOB HORIZONS: *A Study of Job Satisfaction and Labor Mobility*. By Lloyd G. Reynolds and Joseph Shister. Harper & Brothers, New York, 1949. 102 pages. $2.25.

Reviewed by Ernest Dale

This is a study of the major factors making for employee contentment on the job and causing employee movement between jobs. It is based on 800 intensive interviews conducted in a fairly large New England manufacturing town in 1947.

The most important factors contributing to job satisfaction were found to be wages (adequacy in covering living expenses and fairness compared with the wages of others), the physical characteristics of the job, independence and control (absence of excessive supervision and a chance to voice one's opinion), fairness of treatment (equity in distributing rewards according to seniority and quality of work), and the interest of the job.

There are significant reasons why employees keep their present positions. There is a strong reluctance to change one's way of life, to move out of the plant's social group and away from the neighborhood's living pattern. Employees do not like to abandon certainty of economic and non-economic advantages on their present job for an uncertain and largely unknown world. The weight of seniority in conferring job security is increasing. The limitation of employees' occupational ambitions is rather marked in many cases, and such ambitions are satisfied through internal merit raises and the knowledge that "promotion from within" is company policy.

There are other important factors militating against job mobility which stem from the worker's experience. Early job ambitions appear to be vague and greatly influenced by chance. Parental influence on job choice tends to be authoritarian, and later the worker relies considerably on friends and relatives for guidance on job changes. Moreover, the workers' past experience with fluctuating labor markets, their lack of confidence in their own ability to find something equally "good" elsewhere and to adapt themselves successfully, together with a truly amazing ignorance of labor market conditions, increase the tendency of immobility (the important exception constitutes the sizable minority of workers which is acutely dissatisfied with its present jobs—the younger workers between 16 and 25 years of age, and those having decided ambitions to improve their positions). Thus the vital factor in a job change is the personal factor; the means for making the change is the personal acquaintance. In comparison with both, the factor of a wage differential appears to be of lesser importance.

Personnel practitioners will derive satisfaction from the findings of Messrs. Reynolds and Shister. Their report confirms the wisdom of some of the major policies of sound personnel management:

(1) It is not so much general managerial pronouncements about economic motives, the rationality of human beings, choice, foresight, and initiative which are important in making for job satisfaction as the very practices which many personnel men have been striving to introduce in a concrete manner, such as fair treatment by foremen, equitable work assignments, consultation, justice in promotion, status, improvement of the nature of the job and working conditions.

(2) High wages *per se* are usually not sufficient to bring about job satisfaction. But wage surveys and job evaluation, which are being increasingly utilized by personnel departments, help to satisfy some of the important needs and desires of workers in this respect.

(3) Guaranteed wages and "fringe" benefits were less potent in attracting and holding a labor supply than were the other factors mentioned (in 1947 in this particular labor market). This again appears to confirm the actual experience of personnel men.

Messrs. Reynolds and Shister offer an informative study, vividly illustrated by telling quotations. Its purpose is, one would gather, to aid management in checking its own practices against the actual opinions of employees, to help workers obtain an over-all view—beyond their own jobs—of the nature of the labor market and their role in it, and to assist economists in formulating a more realistic theory of the labor market, recognizing that there is no simple (and single) relationship between wages and labor supply.

This book as a whole confirms the importance of the Yale Labor and Management Center's work in enlisting the aid of sociology and psychology in addition to economics to obtain a comprehensive explanation of why

people stay on jobs and why they move. Specialist readers will look forward to the authors' full report, which is to contain a more detailed evaluation of workers' reasons for job satisfaction, employers' practices and opinions, and improved methods of analyzing our labor markets.

THE MANAGEMENT OF MEN. By Ronald B. Shuman. University of Oklahoma Press, Norman, Okla., 1948. 208 pages. $3.00.

*Reviewed by J. A. Bowie**

This book is a happy choice for a British reviewer. Not only does it compare American with British practice, particularly in regard to trade unionism, but the whole important subject of manpower management excites as much interest in Great Britain as elsewhere.

Our author's thesis is that private enterprise is on trial. Over large areas of the world's surface it has already been condemned and replaced by collectivist systems, and it will be so replaced in its existing strongholds unless it sets its house in order. By good management Dr. Shuman does not mean merely proficiency in operational details; he means primarily the capacity to exercise judgment on wide issues of policy, a sense of historical perspective, and the ability to call creative imagination into play. On this matter of business statesmanship he finds grave faults with present practice, the chief being the lack of a positive philosophy as to the ultimate purpose of private enterprise.

Partly, he says, this is due to man's concentration on the physical sciences and his grave neglect of the social sciences including the study of his own nature. The rest of the book is in reality an effort to evolve the true principles of management in the light of the developing character of man. This is an ambitious program, and no one will expect the author to have done more than etch in a general background.

"All managed organizations are managed for a purpose," says the author. Here is material for a dissertation on applied psychology, applied ethics, and applied economics. Probably, too, the decision as to aim is the fundamental question, for unless a purpose can be shared it cannot be a common purpose. We should have liked to hear more about this question of purpose and less about "leadership." For this "blessed word," it seems to the reviewer, is too often used to suffocate thought; it has got into common currency to such a degree that a man deep in a foggy morass of thought can ride off on it as on a witch's broomstick. Our author's attempt to define it rests on a division into two aspects: first, the capacity to exercise the functions of planning, judgment, and transfer; and second, what he terms "personal magnetism." Beyond describing the latter as "an intangible factor," and telling us that it shows itself often in war, and that Hannibal probably possessed it, we are given no scientific analysis of its nature.

Nevertheless there is much sound thinking in this work. The author has tried to view management as a generic process common to all forms of human organization, and though in thus generalizing the principles tend inevitably to grow vague and tenuous, yet the effort, if ambitious, is well worth the making. Somewhere at last and for ever, a synthesizing mind must bring order out of the chaos and reach that final simplicity which explains all things.

We are told that the key word describing the state of mind of the present generation is "tension," and that this must be resolved as between capital and labor if private enterprise is to remain dominant in Western civilization. How is this to be done? The author is not too specific on the point, but he does suggest that "administrative management might well plan to surrender special privileges." But, as he says, no agreement between the two parties must be used to exploit the community, for only where both feel themselves the servants of the public good can a permanent compromise be effected.

Much will depend on the training of executives. Thus far the main mistake has been a failure both to establish a sufficiently broad base and to supply adequate training within the organization for high office. "Too much early concentration upon detail atrophies natural imagination, causes the act of decision to be overburdensome," and leads to a concentration on form rather than substance.

In his quest of a positive philosophy for the Management of Men, Dr. Shuman has not succeeded, but he has here and there given some interesting suggestions as to how the search should proceed. Inevitably he has resurrected old platitudes; and if the mountain brings forth only a mouse, the act of labor has nonetheless been interesting. Some books flatter the reader by making him feel a master of the mysteries; he feels a sense of excitement in encountering new ideas—but this is not the commoner effect of this book. The text is primarily analytical, but perhaps Dr. Shuman some day will construct the great synthesis.

The writing is often, except in the last chapters, somewhat stiff and formal; the use of parentheses is excessive; and most of the footnotes should have been embodied

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in the text. The author would do well to study the writing style of Bertrand Russell or, in his own country, of T. N. Whitehead or Elton Mayo.

PERSONNEL MANAGEMENT. By Walter Dill Scott, Robert C. Clothier, and William R. Spriegel. McGraw-Hill Book Company, Inc., New York, 1949. Fourth edition (revised). 648 pages. $4.50.

*Reviewed by Thomas J. Luck**

Today there is much talk about the conflict between unions and management, especially on the writing of the new labor law. This new edition of a pioneer work in the field of personnel management does much, however, to renew our confidence that the conflict can be mitigated. In their preface, the authors state that they assume a mutuality of interest on the part of employee, employer, consumer, community, and government. But they add that, "It is fully recognized that in certain short-run situations this community of interest may not exist; yet a sound labor-management relationship should be built on the long-run approach." The objective, then, is achievement of a balance of interests of the five groups referred to above through a carefully organized and controlled personnel program.

The volume is logically organized to facilitate classroom use or to serve as a ready reference for the busy executive. The self-sustaining parts of the text enable the professor to use various sections in any order or to omit sections without affecting the continuity of the course. For example, Part III can be left out entirely by the teacher or included later on in the course. This section on applied psychology also serves as a valuable handbook to the practitioner who desires to apply psychological testing in his selection of employees. Since two of the authors are psychologists who have applied their training in the field, they offer the executive an authoritative, brief, and understandable treatment of the use of psychology in personnel management without going overboard in its application.

The first part of the book points out by well-designed charts the authors' central theme: that employees will maintain a higher morale and hence produce more if management considers each employee's capacities, interests, and opportunities, and keeps them in balance with the requirements of the job. Part II features many new illustrations of personnel records which should prove valuable to many readers. A brief discourse on the labor audit and its importance as a tool with which to control and improve the personnel program is also included in this section. Here the authors draw upon their years of experience as consultants to demonstrate the need for the labor audit as a means of checking personnel policies and practices. Parts IV and V are essentially identical with the previous edition, but with an addition of some information on Workmen's Compensation. Part VI places new emphasis on the problem of communication with employees and the public, which is indicated earlier in the book as a major issue confronting management today. The role of unions and their effect upon personnel policies is accentuated in a new treatment in the last part of the edition. Though the authors point out that the personnel functions are performed by someone in every organization, whether there is an established personnel department or not, it is to be regretted that it is not shown how personnel principles can be applied in the small business, which unfortunately tends to relate personnel administration to the realm of big business.

The Appendices are of particular interest to teachers and practitioners. A complete survey of the personnel practices of 325 concerns gives the teacher some concrete information for emphasizing the acceptance and use of personnel methods in business today. This survey should also be valuable to the personnel manager in checking his own practices with those of others in the field or as a selling aid to impress upon top management the need for additional personnel functions. The logical organization of the book around major topics should make it both a valuable handbook in the library of the practitioner and an excellent text for the instructor in personnel for either a beginning or advanced course.

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BRIEFER BOOK NOTES

[*Please order books directly from publishers*]

General

THE LOCATION OF ECONOMIC ACTIVITY. By Edgar M. Hoover. McGraw-Hill Book Company, Inc., New York, 1948. 310 pages. $3.75. A helpful analysis of the problems of business relocation and adjustment. Discusses selection of locations for private and public facilities, land utilization, metropolitan and regional planning, and programs of industrial development and stabilization at local, state, regional, and national levels. Attention is focused first on factors determining the relative advantages of various types of locations in terms of access to suppliers and to markets for the product, with a view to production costs. Analyzes the economies and diseconomies of concentration, the causes and significance of labor-cost differentials, and differentials in the cost of land.

LIBERAL'S PROGRESS: *Edward Filene—Shopkeeper to Social Statesman.* By Gerald W. Johnson. Coward-McCann, New York, 1948. 268 pages. $3.50. This portrait of one of America's most distinguished and successful merchants has been executed with apparent respect for his request that, if ever his biography were published, he wished "to be painted, like Cromwell, with his warts." A penetrating and extremely well-written account of the virtues and occasional defects of Filene as a man, a merchant, a citizen, an internationalist, a technician, and a business and social prophet.

HOW TO BE POPULAR—THOUGH CONSERVATIVE. By Fred G. Clark and Richard Stanton Rimanoczy. D. Van Nostrand Company, Inc., New York, 1948. 101 pages. $2.50. Dedicated "to millions of unhappy Americans in all walks of life who have found themselves branded for the last 16 years with the name, Conservative," this economic primer is designed to help the spokesman for free enterprise win his arguments—particularly arguments with Communists. Illustrated with 47 full-page cartoons by Rama Braggiotti.

THE LAW OF FREE ENTERPRISE: *How to Recognize and Maintain the American Economic System.* By Lee Loevinger. Funk & Wagnalls Company, New York, 1949. 431 pages. $5.00. The purpose of this highly original work is to make the laws governing our economic activity and freedom comprehensible to the reader with no legal training. Traces the origins, present scope and interpretation, significance, and probable lines of future development of each of these laws in plain non-technical English. In addition to its general social and economic interest, it is an excellent business man's guide to trade practices.

BRASS HAT OR EXECUTIVE? By Lester F. Miles. Wilfred Funk, Inc., New York, 1949. 269 pages. $2.95. Contents: Keeping Your Eye on Tomorrow; Be Sensibly Realistic; Paths to Greater Personal Efficiency; More Fact-Finding and Better Judgment; The Danger of Repeating Errors; Open Your Mind to New Ideas; The Importance of Your Personal Relationships; The Art of Keeping Up-to-Date; Master Salesmanship—A Must!; Exit Brass Hat—Enter Progressive Executive.

BUSINESS IDEAS HANDBOOK. Prepared by the Editorial Staff of Prentice-Hall. Prentice-Hall, Inc., New York, 1949. 666 pages. $7.50. Almost 1,000 tested, time- and money-saving suggestions for streamlining managerial, advertising, and merchandising functions, and for speeding up accounting, purchasing, and correspondence operations, as well as routine clerical tasks.

Personnel Management and Industrial Relations

PERSONNEL MANAGEMENT AND INDUSTRIAL RELATIONS. Third Edition. By Dale Yoder. Prentice-Hall, Inc., New York, 1948. 894 pages. $6.65. This revised edition of Mr. Yoder's basic text contains expanded discussions of several major industrial relations functions, including job analysis, industrial counseling, morale measurement and maintenance, job evaluation, wage and salary administration, and industrial relations research. Chapters on labor organization and collective bargaining have been rewritten to reflect the growth of membership in unions, changes in federal and state legislation, and the increasing maturity of many labor organizations.

DISCHARGE FOR CAUSE. By Myron Gollub. *Special Bulletin Number 221*, Division of Research and Statistics, State of New York Department of Labor, New York, 1948. 88 pages. 70 cents. A study of awards made on the issue of discharge in arbitration cases of the New York State Board of Mediation from the establishment of the Board in 1937 to the end of 1946. This noteworthy study is an account of principles, rather than a statistical summary of arbitration decisions; its purpose is not to emphasize precedent, but to offer those affected by the practice of arbitration a summary of relevant experiences.

THE PERFORMANCE OF PHYSICALLY IMPAIRED WORKERS IN MANUFACTURING INDUSTRIES: *A Report Prepared by the Bureau of Labor Statistics for the Veterans Administration.* Bulletin No. 923, Bureau of Labor Statistics, U. S. Department of Labor. Available from the Superintendent of Documents, Washington 25, D. C., 1948. 132 pages. 55 cents. A conclusive analysis of the work performance, quality and quantity of production, degree of absenteeism, accident-proneness, turnover, etc., of physically impaired persons as compared with normal workers indicates that the former are able to meet their unimpaired fellow-workers on an equal, competitive footing. Separate analyses of performance factors are included for the following disability groups: hernia, cardiac, vision, orthopedic, hearing, multiple-impairment, ex-tuberculosis, peptic ulcer, diabetic and epileptic cases.

PROCEEDINGS OF THE NEW YORK UNIVERSITY FIRST ANNUAL CONFERENCE ON LABOR: *Issues in Collective Bargaining and the Taft-Hartley Act.* Emanuel Stein, Editor. Matthew Bender & Company, Inc., New York, 1948. 639 pages. $7.50. Material of continuing interest includes the following: Social Security in Collective Bargaining, by Murray W. Latimer; Job Evaluation and Wage Incentives, by William Gomberg; The Mediation Process, by Frederick H. Bullen; Legal Status of Labor Arbitration, by Jesse Freidin; Nature and Scope of Arbitration and Arbitration Clauses, by Herman A. Gray; and others.

OUR NEW NATIONAL LABOR POLICY—*The Taft-Hartley Act and the Next Steps.* By Fred A. Hartley, Jr. With an introduction by Robert A. Taft. Funk & Wagnalls Company, New York, 1948. 240 pages. $2.85. This book was written prior to the last election and, since much of it is based upon the expectation of a Republican victory, the course of events has rendered it of historical rather than immediate interest. Students of labor legislation may nevertheless wish to read it as a record of how and why the LMRA was developed and enacted and what the law attempted to accomplish.

LEW REESE AND HIS SCIO POTTERY: *The Story of a Business with a Heart.* By Norman E. Nygaard. Greenberg, New York, 1948. The much-publicized story of the uninsured Scio-Ohio pottery plant which was completely destroyed by fire and rebuilt by hand by the employees and townspeople of Scio in exactly 60 days. This unusual story of employee and community relations is told with an eye to the kind of management which could have commanded such extraordinary loyalty.

AMERICAN LABOR AND THE GOVERNMENT. By Glenn W. Miller. Prentice-Hall, Inc., New York, 1948. 638 pages. $7.35. Analyzes in non-legalistic language the laws, court actions and government policies that affect the actions and attitudes of workers and employers in their relationship to each other. In discussing the course of future labor legislation the author concludes that "the legislation and judicial and administrative attitudes of the future must, in a broad sense, be pro-labor . . . . in order to achieve a relative adequate balance of power."

BIRTHDAYS DON'T COUNT. New York State Joint Legislative Committee on Problems of the Aging, 1948. 326 pages. Gratis. Available from State Senator Thomas C. Desmond, Chairman, New York State Joint Legislative Committee on Problems of the Aging, 94 Broadway, Newburgh, New York. This distinguished report consists of more than 30 articles by experts from a variety of fields, all concerned with the occupational, economic and medical problems of the aging citizen in modern society.

HANDBOOK OF JOB FACTS. By Alice Helen Frankel. Science Research Associates, Chicago, 1948. 148 pages. $3.00. Information on 225 types of jobs is broken down in chart form under the following headings: places of employment; nature of the work; number of workers in the field; per cent of workers who are women, who are Negro, are under 25 years of age; the largest age group; education required; special personal qualifications; beginning wages; average wages; average hours per week; seasonal variation; and others. Information given is necessarily very broad.

Office Management

PROCEEDINGS, 29TH ANNUAL CONFERENCE, NATIONAL OFFICE MANAGEMENT ASSOCIATION (1948). Available from the National Office Management Association, 12 East Chelton Avenue, Philadelphia 44, Pa. More than a dozen addresses on timely subjects of interest to the office manager and supervisor, including: formal and informal organization of the office; production standards; the woman in the office; deflating office costs; unionization in the office; systems, methods, and procedures.

THE TECHNIQUE OF SYSTEMS AND PROCEDURES. By H. John Ross. Office Research Institute, Inc., New York, 1948. 341 pages. $15.00. Subjects discussed include: How to Make a Clerical Survey; Analyzing Clerical Operations; Making Process and Procedure Charts; Designing, Eliminating and Controlling Forms; Selling Improvements; Motion Analysis; and others. Illustrated with 75 charts.

Production

QUALITY CONTROL IN INDUSTRY—*Methods and Systems.* By J. G. Rutherford. Pitman Publishing Corporation, New York, 1948. 201 pages. $3.50. This comprehensive text sets forth the principles of quality control and describes in detail the statistical techniques for applying them. Includes sections on: organization of the quality control department; control of quality department costs; records and reports; personnel training; relations with other departments; relations with customers' representatives; principles of statistical methods; sampling inspection; process control; specialized applications; the practical application of statistical methods.

WARTIME PRODUCTION CONTROLS. By David Novick, Melvin L. Anshen, and William C. Truppner. Columbia University Press, New York, 1949. 441 pages. $6.00. The story of industrial production control in the last war, with mistakes pointed out and specific recommendations made for the future.

Marketing

HOW MANUFACTURERS REDUCE THEIR DISTRIBUTION COSTS. By Charles H. Sevin. *Economic Series No. 72,* Office of Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1948. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 151 pages. 35 cents. This highly recommended study contains many case stories of the experiences of a selected group of manufacturers who have achieved striking reductions in their marketing costs. Analyzes the following important aspects of distribution cost control: misdirected marketing effort; profitable and unprofitable customers and orders; selection of the most appropriate channels of distribution; sales territories and salesmen's potentials; profitable product lines; opportunities for cutting costs of physical distribution—i.e., storage, order-handling, receiving, shipping, delivery, etc.

PROCEEDINGS OF THE TWENTIETH BOSTON CONFERENCE ON DISTRIBUTION (1948). Obtainable from the Boston Conference on Distribution, 80 Federal St., Boston 10, Mass. 93 pages. $3.90. Topics discussed by a distinguished group of distribution executives include: Cutting the Cost of Distribution—the Easy Way; How Manufacturers Reduce Their Distribution Costs; The Trend in Consumer Purchasing Power; Developing the Market Through Route Truck Distribution; The Marshall Plan and America; Major Marketing Trends: What's Ahead for Retail Distribution; Television—Past and Future; The Role of Small Business; and others.

SUCCESSFUL SALES CONTESTS: *Dartnell Report No. 570.* The Dartnell Corporation, Chicago, 1948, 36 pp. text, 86 pp. exhibits, loose-leaf. Summarizes experiences of over 100 companies with contests for their own sales forces and discusses various problems and practices in contest administration.

ADVERTISING BUDGET METHOD—CASE HISTORY I. Issued by the Budget Survey Committee, National Industrial Advertisers Association, 1776 Broadway, New York, 1948. 12 pages. $5.00. The first case history in a continuing study of advertising budget methods, covering the procedure used in determining the advertising budget of a large steel and iron manufacturer. Emphasizes the need for giving careful consideration to a number of factors rather than blindly adhering to the "percentage of sales" method.

A SOURCE OF NEW PRODUCT POSSIBILITIES FOR MANUFACTURERS: *A Partial Listing of Patents Available for Food Machinery, Equipment, Devices, Products, and Processes.* Office of Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1948. 60 pages. 25 cents. Describes and illustrates the manner in which manufacturers

may find ideas for new products through the use of various Department of Commerce sources. While this publication covers food, food machinery, and other fields related to food processing and packaging, the report should be of interest to any manufacturer who is seeking new products and has the facilities to manufacture or process the items listed, for which patents are now available for license or sale.

PRACTICAL ADVERTISING: *A Comprehensive Guide to the Planning and Preparation of Modern Advertising in All of its Phases.* By Harry P. Bridge. Rhinehart & Company, Inc., New York, 1949. 842 pages. $6.50. This basic text covers all phases of advertising planning and preparation in a highly practical and interesting manner. Presents a wealth of information on principles of effective advertising, advertising appeals, copy, slogans, layout, drawings, photographs, type and typography, printing processes, paper, reproduction processes, advertising media, advertising aids for dealers, trademarks and brand names, packaging, market research, and detailed information, of particular value to the beginner, on how advertising agencies and departments work.

THE MANAGEMENT OF MARKETING COSTS. By James W. Culliton. Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1948. 166 pages. $2.50. A preliminary study of manufacturers' marketing costs. Emphasizes the need for discovering which costs in a business are true marketing costs and deals with the day-to-day operations concerned with marketing decisions.

MARKETING—PRINCIPLES AND METHODS. By Charles F. Phillips and Delbert J. Duncan. Richard D. Irwin, Inc., Chicago, 1948. 729 pages. $6.00. A basic text for students or for business executives who desire a broad picture of the structure and functions of marketing. Effects of various marketing policies and practices upon the ultimate consumer are stressed throughout.

THE RETAIL SALESPERSON AT WORK. By Donald K. Beckley and William B. Logan. McGraw-Hill Book Company, New York, 1948. 342 pages. $2.20. This introductory text for young people who plan careers in retailing provides information about the techniques of selling and of handling other aspects of the retail salesperson's job. Suggestions are included regarding best procedures for finding good jobs in retailing and for dealing with the problems likely to be encountered in getting along with supervisors and fellow-workers.

STIMULATING SALESMEN SUCCESSFULLY. By Charles B. Roth. Prentice-Hall, Inc., New York, 1948. 348 pages. $5.00. Proceeding on his theory that incentive is the priceless ingredient that distinguishes a star salesman from a mediocre one, Mr. Roth discusses dozens of tested ways to stimulate salesmen to exert their best efforts consistently. Contains many practical suggestions on training, sales meetings, contests, sales bulletins and letters, use of visual aids and props, and effective compensation planning.

Finance

DEPRECIATION POLICY WHEN PRICE LEVELS CHANGE. Controllership Foundation, Inc., New York, 1948. 85 pages. $2.00. A compilation of authoritative opinions and information on this timely subject. Brings together for the first time case-history material on the depreciation policies of large corporations, including duPont, Libbey-Owens-Ford, Sears Roebuck, Swift, and many others.

THE DARTNELL FILE OF TESTED CREDIT AND COLLECTION LETTERS. The Dartnell Corporation, Chicago, 1948. 204 pages, loose-leaf. $7.50. A collection of 200 tested credit and collection letters for bringing delinquent accounts up to date and keeping them on a current basis; for getting new and old accounts to take advantage of offered discounts; for preventing new and old customers from taking unearned discounts; and for other types of action commonly desired by the credit correspondent.

Packaging

GLOSSARY OF PACKAGING TERMS: *Standard Definitions of Trade Terms Commonly Used in the Packaging Industry.* Compiled by Gerry O. Manypenny. The Packaging Institute, Inc., 342 Madison Avenue, New York 17, N. Y. 187 pages, spiral bound. $2.75. This comprehensive listing of standard definitions of trade terms customarily used in packaging and shipping answers a long-felt need. Complete and clearly-worded definitions cover the following divisions: adhesives; bags; boxes; barrels, cans; carloading; cartons; closures; drums; flexible packaging materials; glass; interior packaging; labels; machinery; paper; plastics; shipping; tubes; and miscellaneous. Highly recommended for all concerned with packaging, shipping, or traffic.

PUBLICATIONS RECEIVED

(Please order books directly from publishers)

GENERAL

Introduction to the Study of Public Administration. By L. D. White. The Macmillan Company, New York, 1948. Third edition (revised). 612 pages. $5.75.

Overseas Information Service of the United States Government. By C. A. H. Thomson. The Brookings Institution, Washington 6, D. C., 1948. 398 pages. $4.00.

Military Procurement: *A Guide for Joint-Industry-Military Procurement Planning.* The Munitions Board, 1948. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., 1948. 46 pages. 25 cents.

Encyclopedia of Incorporating Forms: *An Exhaustive Compilation of Forms Used in Organizing a Corporation.* Prentice-Hall, Inc., New York, 1948. 1,166 pages. $12.50.

ECONOMICS

A Survey of Contemporary Economics. Edited by H. S. Ellis. The Blakiston Company, Philadelphia, 1948. 490 pages. $4.75.

The Role of Inventories in Business Cycles. By M. Abramovitz. National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y., 1948. 28 pages. 50 cents.

Economic Imperative for Industrial Peace. By A. Hood and W. Klee, Jr. The Economic and Business Foundation, New Wilmington, Penna., 1948. 20 pages. 75 cents.

OFFICE MANAGEMENT

Proceedings of the Sixth Annual Seminar on Development of Better Managers and Methods in the Office. Chicago Chapter, National Office Management Association, Chicago, Ill., 1948. 66 pages.

Twelve Ways to Write Better Letters. By W. H. Butterfield. University of Oklahoma Press, Norman, Okla., 1947. 186 pages. $2.25.

Retention and Preservation of Records: *With Destruction Schedules.* Chicago Bureau of Filing and Indexing, Inc., 209 South La Salle St., Chicago 4, Ill., 1948. Revised edition. 30 pages. $1.00.

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